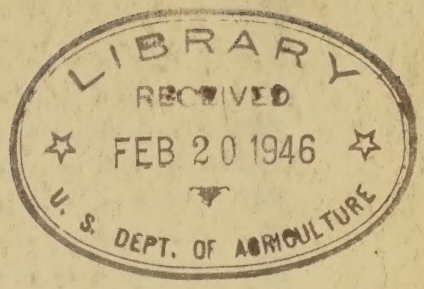

RURAL ELECTRIFICATION ADMINISTRATION

WASHINGTON, D. C.

CONFERENCE OF PROJECT SUPERINTENDENTS

OUTLINES OF MAIN POINTS OF SPEAKER'S TALK

&

EXTENSION OF REMARKS THEREON

1939?

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2. Assists in obtaining coverages at a cost commensurate with risks involved.

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1. Instructs, advises and assists Borrowers regarding all tax matters as affecting operating costs. This applies to -
   a. Federal taxes applicable and those from which cooperatives are exempt.
   b. State taxes - various types.
2. Reviews financial data rendered by projects to ascertain factors influencing tax matters.

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CONFERENCE OF PROJECT SUPERINTENDENTS

THE FINANCE DIVISION AND THE BORROWER

Extension Of Remarks

Accounting Functions Relative To REA Operations

I. Accounting Section

Activities connected with accountancy are necessarily of a specialized nature. As applied to REA, the first contact is made through the Accounting Section whose duty it is to record the disposition of funds which have been allotted to this Administration for the conduct of its business.

ADMINISTRATIVE

Standard government procedure determines how all of this should be done. It provides for the manner in which vouchers representing expenditures should be made out, and subsequently handled up to the time of payment. At the end of each month reports are compiled to show, in summarized form, just what has happened and how much of the remaining funds are left for the following period.

GOVERNMENT PROCEDURE

MONTHLY REPORTS

A separate set of records is maintained to show disposition of funds to borrowers in the form of loans for various purposes. An individual account is opened for each project, from which the status can be determined at any time. Without such accounts, it would be very easy to exceed the amounts allotted which would be a serious matter.

FUNDS FOR BORROWERS

CONFERENCE OF PROJECT ENGINEERS
THE FINANCE DIVISION AND THE BORROWER

Explanation of Remarks

Administrative Functions Relative To REA Operations

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INTEREST AND PRINCIPAL PAYMENTS

A highly important operation in connection with loans made to borrowers, is the determining when interest and principal payments become due since the total amount lent must be repaid during the specified time, at the completion of which, the amount will be closed in a manner similar to that followed in the handling of commercial Accounts Receivable.

RECONSTRUCTION FINANCE CORPORATION

It is important that borrowers make their payments promptly so that REA may repay the Reconstruction Finance Corporation for funds advanced on notes and mortgages which have been assigned to them as security. We cannot default in our payments to them.

Cost Functions Relating To The Construction Of Projects

II. Project Voucher Audit Section

This Section performs a highly important function since it determines the amount of money which can be advanced to projects.

STATEMENT OF PURPOSE

First, they consider Statements of Purpose sent in by Borrowers requesting funds required for the succeeding month. The borrower will specify sums of money under the various captions listed on forms supplied. This must be done in strict accordance with instructions issued.

EXPENDITURE STATEMENTS

An exact accounting must be furnished to REA showing how the money has been spent since the Borrower is not permitted to exceed the amounts mentioned in the Statement of Purpose, or to transfer from one fund to the

other without specific authorization from REA. All of the detail must be recorded on the Expenditure Statement form which in turn must be accompanied by receipted bills and payrolls.

PROJECT COST DISTRIBUTION LEDGER

This Section is also required to maintain a control record. This ledger discloses the amount allocated for each type of expenditure, the advances and allowances made under such allocations, and the expenditure statements which have been received in support of advances made for specific approved purposes. This plan will provide a complete source of verification of the work appearing on the books of the project as well as that performed for each individual project in Washington.

Safeguarding Of Funds Advanced To Projects

III. Bank And Finance Examining Section

SELECTION OF DEPOSITORY

In accordance with contractual requirements, banks in which funds borrowed from the Government are placed, must be selected by the borrower. This is accomplished about the time of allotment.

EXAMINATION OF BANKS

Before a bank is approved, financial statements are obtained and studied, together with other statistical data covered by forms prepared for that purpose. In this manner increases or decreases in earnings, losses, and payment of dividends are noted. This, therefore, indicates the trend of the banks' operations. The function is very important since it acts as a safeguard for both

the project and the Government. It would be obviously dangerous not to know in advance whether a depository is considered sufficiently safe for the placing of government funds, or if the amount advanced is too large for the size bank selected.

FINANCIAL ASPECT OF BORROWERS

Investigation is also made of the financial aspect of proposed borrowers, and as to character-credit ratings of project sponsors or officials.

TYPES OF BORROWERS

Types of Borrowers:

1. Cooperatives (Corporations organized not for profit and called "non-profit" corporations)

2. Utilities
3. Municipalities
4. Counties
5. State Authorities

Considerable research is required in the event of loans' being made to utilities. Studies are made of comparative financial statements for a period of five years to determine their financial stability and ability to repay loans which have been made. In case of municipalities a still wider type of research has to be made to determine whether or not the power plant operated by the municipality is functioning profitably in accordance with financial statements presented.

IV. Insurance Section

GENERAL RESPONSIBILITY

This Section is charged with the responsibility for directing and advising borrowers and their contractors as to the various types of insurance which are required

during construction and operation for the protection of the project, the project sponsors, employees, and members of the public. This protection is made mandatory under the provisions of the Loan Contract, Mortgage and Construction Contract.

RATE REDUCTIONS AND STANDARDIZED POLICY FORMS

This Section is also responsible for establishing and maintaining negotiations with insurance companies and rating bureaus for lower premium rates and standardized policy forms. Approximately 50 per cent reductions in rates and standardized forms have been obtained on contractors' performance bonds and fidelity bonds on project officers and employees. The cost of the cooperative's workmen's compensation, public liability and property damage insurance during the construction period has been reduced approximately 90 per cent.

CLAIM SETTLEMENT AND ACCIDENT PREVENTION

The Insurance Section maintains records of accidents, assists borrowers in the settlement of claims, and advises borrowers of methods of accident prevention. This is a very important phase of the work of this Section. We are chiefly interested, as you are, in the human values in accident prevention. As an insurance matter, a low loss ratio will help our negotiations for more favorable rates.

WHEN TO INSURE

REA requires that all prescribed insurance coverages be placed <u>before the respective risks are incurred</u>. In addition to the coverages required of the contractor, the following are required of borrowers.

This Section is also responsible for establishing and maintaining negotiations with insurance companies and rating bureaus for lower premium rates and standardized policy forms. Approximately 50 per cent reductions in rates and standardized forms have been obtained on contractors' performance bonds and fidelity bonds on project officers and employees. The cost of the cooperatively [illegible] damage insurance during the construction period has been reduced approximately 90 per cent.

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COVERAGES REQUIRED OF BORROWERS

1. A Fidelity Bond must be obtained before funds and property are placed at the disposal of officers and employees.

2. Workmen's Compensation or Employers' Liability Insurance must be placed before employees are put upon the cooperative payroll.

3. Employers' Non-Ownership Liability Insurance must be obtained before automobiles owned by employees, officers, sponsors or direct representatives are operated in the business of the cooperative.

4. Automobile Fire, Theft And Liability Insurance on automobiles and trucks owned by the cooperative must be placed before vehicles are operated.

5. Fire Insurance upon all materials (including meters between the time of purchase by your cooperative and incorporation in the project), tools and office equipment should be placed as such properties are acquired.

PROTECTION VERSUS COST

The insurance requirements of REA have been determined with due regard to the risks involved and the cost of the insurance. There are certain risks, such as damage to the lines by the elements, upon which we do not require insurance because the cost is in our opinion out of proportion to the hazard. Negotiations are in progress for suitable rates and policy forms for this and other presently uninsured risks of our borrowers,

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[illegible] must be insured across from and properly [illegible] by the [illegible] of officers and employees.

[illegible] must be placed before employees are put upon the [illegible] payroll.

[illegible] must be obtained before automobiles owned by employees, officers, [illegible] representatives are operated in the business of the cooperative.

[illegible]

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which may lead us to amplify our requirements. You are mindful of course, of the responsibilities and hazards incident to the operation of high tension electric lines. At present the above-mentioned coverages are mandatory and are necessary for the protection of your cooperative, its employees and members of the public, as well as for the protection of the Government's interest as Mortgagee.

V. Tax Section

ASSIST BORROWERS

This Section has been organized to instruct, advise, and assist the borrower regarding all tax matters affecting the construction and operating costs of a project.

This subject has such a wide and important bearing on the future of the projects, that all types of taxes included under Federal and State taxes are taken into consideration for the purpose of obtaining exemptions, relief of penalties, and reduction of taxes wherever possible.

NECESSITY OF PROPER RECORDS

Review is made as required of financial data submitted by projects to ascertain factors having important influence on tax matters.

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CONFERENCE OF PROJECT SUPERINTENDENTS

PROCEDURE FOR ADVANCES

First Financial Requirement Statement

I. When To Submit

1. Immediately after the Construction Loan Contract has been executed, Mortgage recorded and Contract for Project Engineer approved.

II. Prepared By

1. They shall be prepared by Treasurer of the Cooperative and Project Superintendent, if appointed, and signed by President or Treasurer.

III. Forms To Be Used

1. Use Forms:

FI-45, 46, 47	-Send three copies to REA
FI-40, 40A	-Send all copies to REA (White and three Yellow)
LE-108	-Per Legal instructions
LE-83	-Send three copies to REA
LE-179	-Send four copies to REA

IV. Items Included

1. Include in First Request:
   a. Administrative items listed on FI-45 for money already spent and estimated requirements for coming month.
   b. Miscellaneous allowable administrative items in detail on FI-46.

V. Allowable And Non-Allowable Items

1. Read pages 3 through 13 and pages 27 through 32 in Master Copy for allowable and non-allowable items.
   Construction, Administrative (General and Miscellaneous), Working Capital.
   Items not chargeable to either construction or Working Capital Loans.

VI. How Much For Each Item

1. Read Form FI-91 for limits of items.

VII. Disposition Of Funds

1. All checks received from U. S. Treasury must be deposited in "Special Construction Account" in bank approved by REA Finance Division.

Project Expenditure Statement

VIII. Caution

1. Pay all bills by check and get duplicate Detailed Receipted Invoices. Enclose one copy of each receipt with Project Expenditure Statement.

IX. When To Mail

1. These statements show expenditure of Government Funds and must be mailed to REA Finance Division on or before the 20th of each month. After construction begins, the Contractor must furnish itemized invoice, in duplicate, at end of each month for work done under Contract during that month.

2. After Contractor's invoice has been checked and approved by Project Engineer and Superintendent, 90% of the invoice is paid Contractor and 10% is withheld until final settlement after construction is completed and accepted by REA.

X. Forms To Be Used

1. FI-48, 49, 50, 51 and 52.

XI. Who Prepares

1. Prepared by Project Superintendent with assistance of Engineer and signed by President or Treasurer.

Second And Subsequent Requirement Statements

XII. When To Mail

1. Mail to Finance Division of REA on or before the 10th of each month after First Request.

XIII. Forms To Be Used

1. FI-40, 40a, 45, 46, 47, 53, 54, LE-83, LE-179.

For Protection And Progress

1. Deposit all funds from every source in bank. Keep Construction and Working Capital Funds in a bank account separated from all other funds and marked "Special Construction Funds."

2. Make all payments by check, except that a Petty Cash Fund may be set up by drawing a check from General Funds for such amount as the Board of Directors may have approved. Cash payments may then be made from this fund for small items and reimbursement asked for on requests to REA.

3. Get duplicate detailed receipts for all payments made by check or cash.

4. Study pages 3-13, inclusive of the Master Copy and FI-91 to know what items may or may not be paid from Government Funds and how much may be paid for such items.

CONFERENCE OF PROJECT SUPERINTENDENTS

PROCEDURE FOR ADVANCES

Extension Of Remarks

After the Construction Loan Contract has been approved by the Administrator, the Legal Division forwards the Note and Mortgage for action by the Board of Trustees (or Directors as some Cooperatives call them). The Finance Division forwards the forms for you to submit your requests for funds. Your first request may then be submitted at any time, but nothing will be done except the preparation for final passing until you have had your Attorney submit his Opinion of Counsel required by the Legal Division and the proof of filing for recording of your Mortgage. After this is done the requests will roll as you need them. But don't forget after you get started, your Attorney must submit an Opinion regarding the easements sometime and an early submission of this may save considerable delay to an advance of funds in the future.

Your first request for funds does not usually contain any money for the Contractor; therefore, your Treasurer and Superintendent (if you have selected one) will prepare it. However, if you are asking for an advance for the Contractor you should also consult your Project Engineer as to the amount he thinks will be needed for this purpose. The voucher and request (forms FI-40 and 45) must be signed by the Treasurer or President.

We ask that all your requests for funds be submitted on or before the 10th of the month thereby allowing twenty days to iron out all the wrinkles and have the cash in your bank and available for payment of all your obligations due on or before the 15th of the next month. We desire to repeat this for emphasis: Submit your requests on or before the 10th of the month (especially if they contain a request for payment to the Contractor) thereby allowing us 20 days to get the check out to you that you may pay your bills, Contractor and others, as soon as they present their invoices for the previous month's work. We are particularly anxious that you shall be in a position to pay the Contractor (after your Engineer has approved in writing his estimate of work done) immediately after the invoice is submitted. This will mean earlier completion and if we can get all the cooperatives to do this, it will result in lower bids for construction because the contractor will not have to include the cost of financing in his bid.

Salaries for you as superintendents, the stenographer, bookkeeper and meter setter, must be approved by the Division of Operations Supervision before we are permitted to make any advances to pay these items.

You will notice in the outline that the allowable and non-allowable items are referred to on pages 3-13, inclusive of the Master Copy of "How to secure money for Construction of Rural Electrification Projects"; a list of how the various requisitions should be compiled with complete detail as to the estimated prices to be paid shown on pages 27-31, inclusive; and page 32 is a list of items which are not allowable from these funds.

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The form FI-91 which is attached shows the items on which we will submit an estimated allocation. One to you superintendents, one for your attorney and one for your engineer. As adjustments or change orders are approved you will each be notified not only as to the amount and nature of the change but also as to the amount of funds remaining unearmarked in your allotment.

We desire to call your attention to the caution made on the second page of the outline, first paragraph, that all bills shall be paid by check and a detailed invoice be secured in duplicate so that the original may be submitted as proof to the General Accounting Office as to the use made of the funds advanced.

The items covering Project Expenditure Statements will be explained more fully by Mr. Waterhouse in his talk.

In the second paragraph under the heading "For Protection and Progress", we desire to call your attention particularly to the petty cash fund which may be set up by drawing a check from the General Funds and not from the Construction Funds.

A revised procedure will be tried shortly in new projects which will require that an expenditure statement, with supporting receipted invoices and certified payrolls, be submitted to evidence the proper expenditures of previous advances before a further advance will be made.

The general procedure will be in the nature of a drawing account in which an advance will be made, accounted for, and another advance made. These expenditure Statements will provide a certain and immediately effective basis for accounting for previous advances.

CONFERENCE OF PROJECT SUPERINTENDENTS

ACCOUNTING FOR ADVANCES MADE

Procedure

I. Reason for Project Expenditure Statements.

II. General preparation and when submitted.

III. The Project Engineer's responsibility with regard to the contractor's invoices.

IV. How and where to report miscellaneous items.

V. Pole inspection.

VI. Meters and meter installation.

VII. Reporting Social Security Tax.

VIII. Supporting invoices for all items reported.

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X. Preparation of pole inspection and meter invoices.

XI. Preparation of miscellaneous receipts.

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XIII. Social Security receipts.

XIV. Invalid receipts often submitted.

XV. Reimbursement of membership fund.

CONFERENCE OF PROJECT SUPERINTENDENTS

ACCOUNTING FOR ADVANCES MADE

Extension Of Remarks
Procedure
Reason For Project Expenditure Statements

WHY REQUIRED

I. Project Expenditure Statements are submitted to REA as evidence that funds were expended in accordance with the terms of the Loan Contract through which secured. It is not alone for REA that these must be submitted in proper concise form, but that there may be no question of their approval when these statements are audited in the General Accounting office. These statements should be in such form that auditors need not necessarily be acquainted with the Project and its history in order to determine whether or not the expenditures were in accord with the contractual terms.

General Preparation And When Submitted

II. One of the first things to remember is the value of submitting statements promptly. Such statements should be submitted by the 20th of the succeeding month unless a change of procedure is announced. This will permit bookkeepers to close their accounts as of 1st or 10th of the month, and have ample time in which to prepare material for the Project Expenditure Statement. It is anticipated that statements will be prepared by the Project Superintendent in collaboration with the Project Engineer.

The Project Engineer's Responsibility With Regard To The Contractor's Invoices

III. It is the duty of the Engineer to verify the statement of the contractor as to material used. It is imperative that the contractor be required to render, at the close of each month, a detailed invoice of the material used by him on the Project during the past month. This should be approved by the Project Engineer. The invoice should then be checked carefully as to unit prices, (as shown by the construction contract) and all extensions before any payment is made. It is important that you remember this: The contractor must not be paid for material units not approved in your construction contract or on a subsequent change order form. He also must not be paid for units of material in excess of the number to be used as indicated in the construction contract unless the excess units have been approved by the Administrator on a change order form.

The contractors' material should be listed on the form of statement designated for that purpose, namely, Forms 20, 21, and 22R (of the earlier series) and Forms FI-49A of the new group. The material listed in the expenditure report must agree with the items listed on the contractor's invoice for the period covered by the report. An item reported any month should not be repeated on a subsequent report. Accumulative invoices are not acceptable.

PROJECT EXPENDITURE FORMS USED

A complete set of forms should be submitted each month regardless of whether or not expenditures have been made for items to which some of the forms may apply. Where there are no expenditures for items on a given form, the blank form should be included in the report.

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The contractors' materials should be listed on the form of statement designated for that purpose, namely, Forms 20, 21, and 22 (of the earlier series) and Forms 21-22A of the new group. The material listed in the expenditure report must agree with the items listed on the contractor's invoice for the period covered by the report. An item reported any month should not be repeated on a subsequent report. Accumulative invoices are not acceptable.

A complete set of forms should be submitted each month regardless of whether or not expenditures have been made for items to [illegible] forms may apply. Where there are no expenditures for items on a given form, the blank form should be included in the report.

The word "none" may be written thereon to insure against possible omissions. The report should be prepared in quadruplicate, with three of the copies being forwarded to REA; the other retained in the Project's files. The report must be signed by the President or the Treasurer of the Cooperative.

How And Where To Report Miscellaneous Items

IV. All miscellaneous items must be listed in detail on Forms ENG-20a or FI-50 (new forms) as the case may be. It will be noted that a section of your Loan Contracts (Article IV, Section 2, in most of the contracts) reads "The borrower shall expend each advance received by it from the Government only for the purposes which shall have been previously specified in the statement of purposes submitted to the Administrator in connection with the requests for the respective advances."

Money expended for items or services other than those approved on previous requisitions is in violation with the terms of the Loan Contract. Any money so expended will not be approved on an expenditure report. Inasmuch as it is ordinarily impossible to requisition in advance the exact amount needed for utility bills and postage, a close approximate is known and sufficient funds should be requisitioned to care for any small excess above the approximation.

All miscellaneous items listed on the report should agree in the character of service and the amount with the supporting receipt.

Working capital items listed on the new series should be on Form FI-51.

Pole Inspection

V. Pole inspection is to be listed on Form 20a of the old forms and on Form 52 of the new. This must be detailed as to sizes of poles treated, number, unit price and extensions in the same manner as material. Unless your Pole Inspection Contract states that payment is not to be made for rejected poles, you will pay for all poles inspected.

Meters And Meter Installations

VI. Meters, meter sockets and cost of meter installation are to be listed in detail on Form 22 of the old reports and Form 52 of the new. Meters and meter sockets must conform to the terms and requirements of your executed contract. The rate paid meter installers must be the same as approved on your Statement of Financial Requirements.

Reporting Social Security Tax

VII. In order to simplify the reporting of Social Security Tax, all labor items should be in the net amount. When both the employee's and employer's share is paid to the Collector of Internal Revenue, report same as a miscellaneous item. The same applies to any similar tax deduction such as Unemployment Compensation.

Supporting Invoices

VIII. Failure to submit valid receipts and receipted invoices is responsible for much delay in completing a proper audit. All receipts and receipted invoices should be obtained in duplicate, the original to be submitted with Project Expenditure Statement and the copy to be retained in the Project's files. Any items listed on the report and not supported by a properly signed receipt will be deleted.

SUPPORT ALL ITEMS

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[illegible] of polos breaked, number, unit price and extensions in the same manner [illegible] Thus you [illegible] [illegible] is not to be made for rejected poles, you will pay for all poles in-[illegible]

[illegible]

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[illegible]

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[illegible]

VIII. Failure to submit valid receipts and receipted invoices is [illegible] responsible for much delay in completing a project report. All receipts and receipted invoices should be obtained in duplicate, the original to be submitted with Project Expenditure Statement and the copy to be retained in the Project's files. Any items listed in the report are not supported by a properly signed receipt will be disallowed.

Preparation Of Contractor's Invoices

IX. The contractor's detailed invoice should be prepared on his letterhead or invoice form, and should be receipted on the face over his autograph signature. The following form is suggested--"Received payment, April 1, in the amount of $72,000.00, Jones Contracting Company, by F. T. Smith, President, Treasurer, or other title."

This must not be a lump sum receipt attached by artificial means to the invoice. What is required is the contractor's signature that he is accepting the payment for the material as listed on that particular invoice. In the event partial payment of an invoice is made, the total material invoiced should be reported and the balance due the contractor should be shown as the withheld amount.

Preparation Of Pole Inspection And Meter Invoices

X. The principle followed in the discussion of the contractor's receipted invoice applies to meter and pole inspection invoices.

Preparation Of Miscellaneous Receipts

XI. All miscellaneous receipts must be receipted by the original payee. If possible, these should be receipted statements on the letterhead of the payee.

Preparation Of Labor Receipts

XII. Labor expenditures may be supported by either individual receipts or payrolls. If payrolls are used, there may be shown in the proper column, either check numbers or signatures as proof of payment. These payrolls must be certified in the space designated (on the reverse side) by the President or Treasurer.

Social Security Receipts

XIII. It is noted that in some sections of the country it is practically impossible to obtain receipts for the payment of Social Security taxes. In instances where you cannot obtain receipts for these payments, there may be submitted a copy of the return across the face of which should be written the number of the check with which it was paid and the date paid. This will be accepted as proof of payment.

Invalid Receipts Often Submitted

XIV. The following is a list of documents frequently submitted as supporting receipts which cannot be accepted as proof of payment.

1. Cancelled checks or check vouchers.
2. Invoice or receipt stamped "paid" but the stamp impression not initialed or signed by the payee.
3. Check numbers, except in the two instances previously explained, namely payrolls and Social Security returns.
4. A certification by any person other than the original payee, that a bill has been paid.

A valid receipt is one which indicates the date services were rendered, kind of service, amount and date payment was received; and signed with the autograph signature in ink or indelible pencil of the person receiving payment. If payment is made to a business firm, the title of the person receiving payment should be shown.

Reimbursement Of Membership Fund

XV. This includes items paid from Membership Funds, those funds being later reimbursed from the Special Construction Account. There are possible exceptions to this such as expenses incurred by the legal firm in making long distance calls, out-of-town trips on cooperative business, and extra stenographic help.

Social Security Benefits

XIII. It is worth that we pay contrary of the payment it is conditionally necessary to obtain receipts for the payment of Social Security taxes. In instances where you cannot obtain receipts for these payments, there may be submitted a copy of the return across the face of which should be written the number of the check with which it was paid and the date paid. This will be accepted as proof of payment.

Invalid Receipts Often Submitted

XIV. The following is a list of documents frequently submitted as supporting receipts which cannot be accepted as proof of payment.

1. Cancelled checks or check vouchers.

2. Invoice or receipt stamped "paid" but the stamp impression not initialed or signed by the payee.

3. Check numbers, except in the instances previously mentioned, namely payroll and Social Security returns.

4. A certification by any person other than the original payee, that a bill has been paid.

A valid receipt is one which indicates the date services were rendered, kind of service, amount and date payment was received and signed with the autograph signature in ink or indelible pencil of the person receiving payment. If payment is made to a business firm, the title of the person receiving payment should be shown.

[illegible]

XV. This includes items paid from Membership Funds, these funds being later reimbursed from the Special Construction Account. There are possible exceptions to this such as expenses incurred by the legal [illegible] in making long distance calls, out-of-town trips on cooperative [illegible], and other [illegible]

In these instances the lawyer's receipt will be accepted; however, it is necessary that these expenses have been approved on a Statement of Financial Requirements before payment is made.

The term "Co-operative" is equally as applicable in your transactions with REA as in those within your own organization. Through cooperation and a proper understanding, it will be possible to work together in harmony and with expedience.

CONFERENCE OF PROJECT SUPERINTENDENTS

BANKS SELECTED AS DEPOSITORIES

I. Preliminary Investigation to Ascertain:

A. Qualifications

1. Location
2. Size
3. Condition
4. Deposit Insurance
5. Facilities

B. Banks' Willingness to Serve

1. Explain Accounts to be Opened and Checks to be Honored
2. Procure exemption from Fees and Service Charges
3. Arrange for Periodic Statements of Condition

II. Number of Banks Required

1. Regular Depository
2. Supplemental Depository

III. Designating Depositories

1. Official Board Action
2. Copy of this Resolution to be Furnished Finance Division

IV. Advantages of Two Depositories

1. Enables Finance Division to Expedite Requisitions
2. Increase Insurance Protection
3. Promotes Favorable Public Sentiment

V. Confining Cooperative Funds to Approved Depositories

1. Funds Received from REA
2. Funds Collected from Members in Fees and Bills

VI. Banking Unit

1. Investigation
2. Source of Information
3. Result of Analysis

VII. Condition of Banks Acting as Depositories for Cooperative Funds

VIII. Conclusions

CONFERENCE OF PROJECT SUPERTENDENTS

BANKS SELECTED AS DEPOSITORIES

Before designating a bank to act as a depository for cooperative funds a preliminary investigation should be conducted by the board to ascertain the qualifications of the institution and its willingness to serve in this capacity.

Qualifications

There are a number of points to be considered in determining the eligibility of banks.

LOCATION

First. At least one of the depositories should be conveniently situated so as to provide easy access for cooperative employees as well as members. This will minimize travel and reduce expenditure. The supplemental bank, if possible, should be located in the project territory, but this is not essential. A bank in a nearby city can be named for this purpose.

SIZE

Second. For obvious reasons local banks are usually selected for depositories. Some of these have only a small cash reserve and can only handle limited advances. When this condition exists a supplemental bank should be named whose current assets are more in conformity with the cooperative's requirements.

CONDITION

Third. Careful consideration should be given to the condition of a bank. The last published statement of the

[illegible]

[illegible]

Before designating a bank to act as a depository [illegible] conducted by the board to ascertain the qualifications of the institution and its willingness to serve in this capacity.

[illegible]

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[illegible]

[illegible] supplemental bank should be used where [illegible]

Third. Careful consideration should be given to the condition of a bank. The last published statement of the

institution selected should be analyzed to ascertain the class of securities carried, the amount of fixed assets, the percentage of liquidity and the ratio of deposits to capital. If a careful investigation of these items is made before the bank is approved by the board, it will, in some cases, relieve the Administration of the embarrassment of disapproving a bank named by the cooperative.

DEPOSIT INSURANCE

Fourth. The safety of your deposits may play an important part in the successful outcome of your venture and it is up to you to see that they are covered by the maximum amount of insurance. Only members of the Federal Deposit Insurance Corporation should be used as depositories.

FACILITIES

Fifth. Banks having adequate facilities for obtaining additional cash on short notice can be of more service than those of limited facilities. Small banks often have to call on their correspondent or on members of the Federal Reserve System for this purpose.

CONTACTING BANKS TO GIVE CONSENT

From the number of letters received by this Division it is apparent that banks have been designated as depositories without their knowledge and consent. Arrangement with the bank should precede designation. By all means the cooperative should explain their needs, the accounts to be opened, what checks to honor, what information will be required by REA and, what exemption they can obtain from fees and service charges.

NUMBER OF DEPOSITORIES

There should be two banks designated to act as depositories for each cooperative. A regular depository that

[illegible] items carried, the amount of fixed assets, the percentage of liquidity and the ratio of deposits to capital. If a careful investigation of these items is made before the bank is approved by the board, it will, in some cases, relieve [illegible] named by the cooperative.

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FACILITIES

Fifth. Banks having adequate facilities for operating additional cash on short notice can be of more service than [illegible] their correspondent or on members of the Federal Reserve System [illegible]

GIVE COMMENT

From the number of letters received by this Division it is apparent that banks have been designated as depositories without their knowledge and consent. Arrangements with the bank should precede designation. By all means the cooperative should explain their needs, the accounts to be opened, what checks to honor, what information will be required by REA and, what exemption they can obtain from fees and service charges.

[illegible]

is a member of the Federal Deposit Insurance Corporation, named principally for convenience of location and, a supplemental bank that is a member of the Federal Reserve System, to be used when, in our opinion, advances are too large to be conveniently handled by the regular depository.

DESIGNATING DEPOSITORY

After the qualifications have been determined and the bank has consented to act as their depository, the board should take official action by passing a separate resolution for each bank that is to serve in this capacity, naming the officers that have authority to sign and countersign checks, and the accounts to be carried. A copy of this resolution should be furnished the depository designated and the Finance Division at the earliest possible date.

ADVANTAGE OF TWO DEPOSITORIES

There are several advantages in using two depositories. First, it enables the Finance Division to expedite approval of requisitions. Second, it increases insurance protection. Third, it promotes favorable public sentiment.

APPROVED DEPOSITORIES

All funds of the cooperative, regardless of whatever source derived, should be deposited only in banks approved by REA. This means funds collected in bills and fees from members as will as those received from REA. This request is made in the interest of the cooperative as well as the Administration.

The banking section makes a thorough investigation of every bank designated as a depository.

BANKING UNIT

Detailed statements are received quarterly or after each call date from all depositories. A complete

[illegible]

[illegible]

After the qualifications have been determined and the bank has commenced to act as their depository, the board should take official action by passing a separate resolution for each bank that is to serve in this capacity, naming the officers then have authority to sign and countersign checks, and the accounts to be carried. A copy of this resolution should be furnished the depository designated and the Finance Division at the earliest practicable date.

There are several advantages in using two depositories. First, it enables the Finance Division to expedite approval of requisitions. Second, it increases insurance protection. Third, [illegible]

All funds of the cooperative, regardless of whatever source derived, should be deposited only in banks approved by FSA. This means funds collected in dues and fees from members as well as those received from [illegible]. This requirement is made in the interest of the cooperative as well as the Administration.

The banking question makes a thorough investigation of every bank designated as a depository.

Detailed statements are received quarterly or after each call date from all depositories. A complete

analysis is made of each to establish their current financial position and the results are posted on a comparative balance sheet where the movement in accounts can be quickly consulted when an advance is made.

DEPOSITS IN SUPPLEMENTAL BANKS

Several banks used as supplemental depositories have objected to preparing our statement of condition form, claiming that the cooperative has never made any deposits. It is essential that we maintain a close watch over these banks in order to know what their condition is at all times. It is therefore suggested that the cooperative divide their deposits with both their depositories when practicable.

CONCLUSION

In conclusion I should like to impress upon you that the instruction and suggestions offered are of paramount importance. They are the results of experience gathered during the past three years and should be taken literally. The safety of your funds should be the predominant thought in determining the course to be followed. We should therefore dissociate any personal inclination or obligation in making our selection.

CONFERENCE OF PROJECT SUPERINTENDENTS

INTEREST AND AMORTIZATION PAYMENTS

Provisions of Different Type Construction Loan Contracts

I. Provisions Governing Computations of Interest

1. Explanation of different type Contracts.

Mechanics of Computation

II. Basic Principle.

III. Explanation of time factor.

IV. Where to find Interest and Amortization Rates and Due Dates.

Interest and Amortization Statements

V. Description of Records Maintained by the Accounting Section for Purpose of Computing Interest and Amortization Payments.

1. Interest Folders.
2. Preparation of Statements.
3. Specific Example.
4. Difference in Treatment of Interest under Loan Contracts

Payments of Interest

VI. New Policy for Payment of Interest Before Payment is required from Operating Revenue.

1. Requisitioning of funds.
2. Payments and procedure for maintenance of funds.

VII. Preparation of Cash Interest Statements.

1. Statements requiring payments from Operating Revenues.
2. Penalties.
3. Payments to RFC.

Extension of Remarks
Provisions of Different Type Construction Loan Contracts

1. Provisions Governing Computations of Interest

An understanding of the methods followed in the computation of interest and amortization items appearing on statements forwarded to Borrowers requires rather detailed explanation which is covered as follows:

The computation of interest on advances is governed by the terms of the Construction Loan Contract between the Borrower and the REA. There are now three different types of contracts in this respect.

The earliest contract form provided that "until the total amount of the loan has been determined as provided in this Agreement, the Administrator, on each interest payment date, shall execute and deliver to the Borrower a credit memorandum for accrued interest as follows:

EXPLANATION OF DIFFERENT TYPE CONTRACTS

(a) on the amount of the Note not theretofore advanced;
(b) on the amount of an advance during the interest period for that portion of the period prior to the advance."

Later contracts provided in addition to the above that "interest which shall accrue on the Note during the period when the project is under construction, after giving effect to the credits allowable, shall, except as herein after otherwise provided, be allowed to accumulate until

An understanding of the methods followed in the computation of interest and amortization items appearing on statements forwarded to Norwegian Deputies rather detailed explanation which is covered as follows:

The computation of interest on advances is governed by the terms of the Construction Loan Contract between the Borrower and the Bank. There are now three different types of contracts in this respect.

The earliest contract form provided that "until the total amount of the loan has been determined as provided in this Agreement, the Administrator, on each interest payment date, shall execute and deliver to the Borrower a credit memorandum for accrued interest as follows:

(a) on the amount of the Note not theretofore advanced,

(b) on the amount of an advance equals the interest paid for that portion of the granted prior to the advance."

Later contracts provided in addition to the above that "interest which shall accrue on the Note during the period when the project is under construction, after giving effect to the credits allowable, shall, except as herein after otherwise provided, be allowed to accumulate until

the date of completion of the project, at which time the total of such amounts of accrued interest shall be added to the cost of the project."

The newest type of contract provides as follows:

> "Interest shall be charged on each interest payment date provided in the Note only on the amount of amounts actually advanced by the Government to the Borrower hereunder."

It then provides for accumulation of interest until one month prior to the first principal payment date. When this period of accumulation ends the total interest is added to the amount advanced in cash and future computations are based on this figure.

Mechanics of Computation

1. Basic Principle

The actual mechanics of computation have been shortened with each succeeding type of contract; however, the basic principle upon which interest is computed remains the same. The interest actually charged is figured for the actual number of days the Borrower has the use of the money.

2. Explanation of time factor.

By the actual number of days, we mean the specific days within each interest period as set forth in the Note or Bond. That is, if the period is monthly, the interest is computed as 28/365ths of the yearly rate for February, 30/365ths of the yearly rate for 30-day months and 31/365ths of the yearly rate for 31-day months in non-leap years.

During leap years, the interest periods are 29/366, 30/366 and 31/366.

Notes or Bonds calling for semi-annual payments are likewise computed with the actual number of days in the semi-annual period as the numerator and the actual number of days in the year as the denominator.

3. Where to find Interest and Amortization Rates and Due Dates

The rates of interest charged on REA loans and the dates on which payments of such interest are to be made are specified in the Note or Bond executed by the Borrower. The Note or Bond also states the date on which amortization begins as well as the amortization rate. Construction Loan Contracts executed prior to July 1, 1938, also modified the date for first cash payment of interest.

Interest and Amortization Statements

1. Description of Records Maintained by the Accounting Section for Purpose of Computing Interest and Amortization Payments.

The Accounting Section maintains an interest folder for each project, in which a Record of Advances and interest charges on the Note is maintained. Interest Statements are made up from this information and copies filed in the same folder, so that a complete record of advances and interest accruing on the advances can be found in one definite place. When an advance is made to a project, the amount, together with the date paid by the Disbursing Officer, is entered on the above record.

INTEREST FOLDERS

[illegible] [illegible] [illegible] [

On each interest due date, as reflected by the Note, a statement of interest is prepared whether or not advances have been made, excepting under the latest type contract which eliminates statements until advances have been made. Of course, when there are no advances, the total interest on the Note is shown as a charge and a corresponding amount is shown as a credit, and no interest is actually payable on the Note.

PREPARATION OF STATEMENTS

On the first interest due date after an advance has been made the charge is computed as above outlined. In order to give you a still better idea of the calculation of the interest, our method is illustrated by a hypothetical case as follows:

SPECIFIC EXAMPLE

The interest period is September 1st to October 1st, 1937. An advance was made September 11, in amount of $5,000.00. The interest rate is 3%.

$$5{,}000 \times \frac{20 \text{(no. of days 9/11 to 10/1/37)}}{365} \times .03 = 8.22$$

At this point the difference occurs between the first and the two later type contracts.

DIFFERENCE IN TREATMENT OF INTEREST UNDER LOAN CONTRACTS

Under the first contract this amount is added to the advances and at the next due date interest is charged on $5,008.22.

Under the terms of the second and third type contracts the interest is accumulated until the end of the construction period, or until one month prior to the first principal payment date, when it is added to the advances to determine the full amount advanced by REA to the project.

Payments of Interest

1. New Policy for Payment of Interest Before Payment is Required from Operating Revenue.

At the present time it is the policy of this Administration to request Borrowers to requisition funds to pay monthly interest charges during construction, so that the accumulation provision of the Note and Construction Loan Contract can be disregarded in those executed during the current fiscal year.

REQUISITIONING OF FUNDS

It is also contemplated that Borrowers will be requested to requisition funds to pay interest previously charged or accumulated under Construction Loan Contracts executed prior to the current fiscal year. When this procedure is established those projects affected will be notified to requisition sufficient funds to pay previously accumulated interest as well as enough to pay current interest as it becomes due.

PAYMENTS AND PROCEDURE FOR MAINTENANCE OF FUNDS

Under this method projects will pay interest from the funds requisitioned and on the requisition submitted for the following month, should request another advance of the actual amount paid for the current month. This advance will reimburse the funds to the original amount so that they will always have on deposit the maximum amount which might be required for interest payments.

2. Preparation of Cash Interest Statements

During the construction period interest statements

are not mailed until the end of the interest period covered by the statement. Upon completion of the project, when cash payments of interest are required from revenues, the statements are mailed approximately 15 days in advance of the date payment becomes due. This is done in order that the Borrower may receive the statement in sufficient time to permit their check to reach the REA Accounting Section or the Reconstruction Finance Corporation, and be collected through the banks on or before the interest due date.

STATEMENTS REQUIRING PAYMENTS FROM OPERATING REVENUES

The Mortgages generally provide for a penalty at the rate of six per centum per annum on all sums not paid when due. This provision is likewise contained in the Note. Therefore, it is to the Borrower's advantage to see that checks are mailed in sufficient time to be collected on or before the due date.

PENALTIES

It is of utmost importance that when statements headed "Statement of Principal and/or Interest Payable" are received by the project, they be given immediate attention as these statements require payment to be made either to REA or RFC. Those requiring payment to RFC will be stamped:

PAYMENTS TO RFC

"MAKE CHECK PAYABLE TO RECONSTRUCTION FINANCE CORP'N.
MAIL DIRECT TO: ALAN T. BOWLER, MGR., RFC CUSTODIAN DEPT.
FEDERAL RESERVE BANK, RICHMOND, VA."

Everything humanly possible must be done by the project to made payments when due, to avoid any possible default.

CONFERENCE OF PROJECT SUPERINTENDENTS

INSURANCE AND BOND REQUIREMENTS

I. Why REA is Interested in the Insurance of Borrowers and Their Contractors

a. Protection of the Borrower, its employees and the public.

b. Maintenance of security for the loan.

II. The Various Types and Limits of Insurance Required

a. Present uniform minimum requirements based upon average conditions in REA Projects and usual insurance company practices.

b. Future arrangements to suit the particular conditions in each Project and to provide more complete coverage under economical and convenient methods specially adapted to REA Projects (Standard policy forms, separate codes, classifications, rates, etc.).

c. Prospective separate insurance codes for REA Projects and their benefits provided our accident prevention measures are effective.

III. The Tremendous Aggregate Volume of Insurance in REA Projects and How Its Cost can be Greatly Reduced by

a. Maintaining continuous competition open to any responsible insurance company, group of companies or their representative.

b. The interchange of information between Projects and REA as to favorable arrangements procured, available, or in prospect.

c. Making the massed purchasing power of Borrowers effective by their selection and purchase of the most favorable arrangements offered REA Borrowers from time to time.

IV. Special and Advantageous Arrangements for REA Projects

a. Presently available (as described in Pre-Allotment Insurance Form FI-114 and FI-112C).

b. Prospective arrangements for Post-Allotment insurance to be described by instructions now in preparation, similar to Form FI-114.

V. How Superintendents can Assist the Insurance Program

a. Procure insurance before risks are incurred. Compare available offers and request REA approval before purchase. Send duplicate

policies or changes therein for our files and request our assistance in procuring insurance or fair settlements of losses if any difficulties arise.

b. Stop accidents by means explained in accident prevention lecture.

For Extension of Remarks on this Outline see the following pages.

CONFERENCE OF PROJECT SUPERINTENDENTS

INSURANCE AND BOND REQUIREMENTS
EXTENSION OF REMARKS

Introduction

Insurance is a complicated and technical business and available policy forms and customs in the business are not particularly suitable for REA Projects.

The result is that most of the letters we exchange about insurance are full of tedious details involved in our joint effort to procure properly written policies which protect the Borrower and maintain security for the loan.

If you desire advice in any such detailed matters we shall be glad to assist you in the Insurance Section, but all of our time today will be spent in explaining our general plans and problems and how you can assist in obtaining improved insurance.

I. Why REA is Interested in the Insurance of Borrowers and Their Contractors

a. Protection of the Borrower, its employees and the public

REA loans do not include (and Operations cannot provide for some time) any surplus to provide for unexpected losses or to settle claims for liability and damage. The welfare of the Association and satisfactory public relations, therefore, require that REA Borrowers should be over, rather than under insured against such hazards until they have had time to build up a surplus. Even then, adequate insurance at reasonable rates will be desirable so that the surplus may be used for productive purposes.

Hence, the coverages described in Paragraph II are mandatory and necessary to protect the cooperative, its employees and the public. Despite their desirability, if obtainable at reasonable rates there are certain risks described in Paragraph II such as damage to the lines, machinery breakage, etc., upon which we do not require insurance because the cost is in our opinion out of proportion to the hazard. Possible reductions in cost will be mentioned later.

b. Maintenance of Security for the Loan

Any unexpected serious loss might bankrupt the Borrower or at least impair its ability to repay the loan. Hence, prudence requires that the Government's interest as Mortgagee be protected by adequate insurance, to maintain security for the loan. Insurance cannot be considered adequate unless procured from financially

REA loans do not include (and Operations cannot provide for some
claims for liability and damage. The welfare of the Association
and satisfactory public relations, therefore, require that REA
surpluses should be over, rather than under insured against such
hazards until they have had time to build up a surplus.
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necessary to protect the cooperative, its employees and the
public. Despite their desirability, if obtainable at reasonable
rates there are certain risks described in Paragraph II such as
insurance because the cost is in our opinion out of
proportion to the benefit. Should unusual losses will be
sustained [illegible]

[illegible] be considered adequate unless procured from financially

I. Why REA is Interested in the Insurance of Borrowers and Their Contractors (Cont'd)

b. Maintenance of Security for the Loan (Cont'd)

responsible companies; hence, REA approval of proposed insurance is required in advance of purchase. The purchase of insurance which costs a great deal more than the risks covered (or more than other adequate insurance available) may impair the ability of Borrowers to repay loans. Hence, the Mortgagee interests itself in the cost of insurance and in obtaining in behalf of Borrowers arrangements not usually available to Borrowers acting individually. Assistance in adjusting losses, reducing accidents and other measures which reduce insurance costs is also furnished. The development of policy forms, suitable for REA projects and other administrative arrangements which reduce costs, are also duties of the Insurance Section.

II. The Various Types and Limits of Insurance Required

a. Present Requirements

The standard insurance requirements of REA as described in our insurance instructions were determined with due regard for the risks and the cost of insurance in the average Project as well as the provisions of standard insurance policies.

b. Future Arrangements

A considerable saving and better protection may be provided if all policies are reviewed at expiration to determine whether particular conditions in a Project require modification of the standard arrangements. If so, submit justification of changes proposed and request our approval. At the same time it will be desirable to investigate and determine whether your insurance is purchased at the most favorable rates then available. Negotiations are in progress for lower rates on machinery-breakage insurance, and insurance on the lines against loss from wind, sleet, etc. It is possible that a price may be obtained low enough to justify the requirement that such insurance also be purchased.

It is anticipated that negotiations under way will be completed during 1939 so that all insurance will be purchased under special policy forms devised and suitable for REA Projects. The REA Fidelity Bond Form is now in effect. Similar REA forms for Public Liability Insurance, Automobile Insurance, Fire Insurance, etc., are now in preparation.

II. The Various Types and Limits of Insurance Required (Cont'd)

c. Prospective Separate Insurance Codes for REA Projects

An agreement has been reached with the National Council on Compensation Insurance and the National Bureau of Casualty and Surety Underwriters (Public Liability and Property Damage) whereby a new insurance code classification (7540) will be created for REA Projects, as soon as the various independent bureaus and state commissions are notified. The insurance business has recognized that a new industry has arisen which will be thus described:

> "Electric Light or Power Cooperatives - Rural Electrification Administration projects only - all operations - including store employees; Salesmen or Collectors; Drivers, Chauffeurs and their Helpers (construction of buildings, dams or reservoirs to be separately rated)"....x

(Premium rates in this insurance will be based upon accident experience in the Projects).

> "Superintendents, easement solicitors and project coordinators from the time of project initiation to energization of any portion of the system shall be assigned to Code 8741, 'Real Estate Agencies'."

(Premium rates in these categories are about 1/10 of previous rates).

Heretofore, REA Projects have been rated under Code 7539 - Electric Light and Power Companies - All operations. REA projects are now separated as to rates and experience from the other utilities. We now stand on our own. Our insurance costs for Workmen's Compensation and Public Liability Insurance will directly depend upon our accident record. That record should be better than the average electric company because of our rural location, but only if we prohibit work on hot lines and insist upon capable employees.

III. The Aggregate Volume of Insurance in REA Projects and How Its Cost can be Reduced

Prior to arrangements described herein the insurance premiums of Borrowers usually amounted annually to about..57% of the loan. On a similar basis the total insurance cost during the first year (Borrower and Contractor) amounted to about 4.06% of the loan. Obviously a project paying $1,000 per year or less for insurance could expect little consideration of its request for a modification of rates or changes in the usual insurance arrangements. The situation is quite different when REA negotiates in behalf of 1,000 Borrowers with aggregate annual insurance premiums of

III. The Aggregate Volume of Insurance in REA Projects and How Its Cost can be Reduced (Cont'd)

$1,000,000. Under such circumstances material concessions can be and have been procured. The diagram indicates that even under present rates (approximately averaging 20% less than standard) the insurance bill of Borrowers and contractors will amount to more than $3,000,000 in an average year of the REA program, or about $100,000,000 during the loan period. With your assistance this enormous bill can be greatly reduced by the following methods. The success or failure of certain projects may depend upon whether insurance and tax costs can be held to reasonable levels.

a. Maintaining Open and Continuing Competition

The continuing competition for such a large volume of business will reduce insurance costs if every channel is kept open and if accident and loss rates are kept low. We recommend that you investigate every responsible local source of insurance while we similarly procure proposals in your behalf or in behalf of all Borrowers from any insurance company and group of companies which wishes to compete for the business.

b. The Interchange of Information Between Projects and REA

You should advise us of any favorable offers received and we should similarly see to it that insuring groups or companies or other projects advise you of favorable arrangements available.

c. Making the Massed Purchasing Power of Borrowers Effective

After considering all available sources and their advantages each Borrower should select initially, and at each expiration date, the insurance then available which best serves its particular needs. The acceptance of favorable offers as made will encourage others to provide active and essential competition.

It is extremely important that you send us complete reports of all accidents and losses. These data assist us greatly in our insurance negotiations and in accident prevention.

REA purchases no insurance and does not select insurance companies, agents or brokers for Borrowers. It does, however, reserve the right of approval or disapproval of insurance arrangements so that it may assist Borrowers to obtain favorable policy provisions, adequate insurance at reasonable rates, equitable settlement of losses, satisfactory medical service and other favorable and unusual arrangements justified by the aggregate business of borrowers.

III. The Aggregate Volume of Insurance in REA Projects and How Its Cost can be Reduced (Cont'd)

c. Making the Massed Purchasing Power of Borrowers Effective (Cont'd)

REA also makes arrangements with insurance companies or groups whereby Borrowers are advised of favorable arrangements available.

d. Types of Insurance Companies

There are two principal types of insurance companies, stock and mutual. Both types of companies operate throughout the country and probably you will be able to obtain satisfactory service from either type of company in your locality. REA approves insurance written by companies of either type insofar as the individual companies comply with certain minimum requirements. Your decision as to the type of company from which you desire to obtain insurance should be determined only after you have made a careful appraisal of the relative merits of each as they apply to your own particular situation.

IV. Special and Advantageous Arrangements Available to REA Borrowers

a. Presently Available and Described in Pre-Allotment Procedure, Form EX-13

An insurance booklet, Form FI-114, and a policy writers' handbook Form FI-112C, have just been issued and will describe to you special arrangements just completed whereby insurance will go into effect without any down payment immediately after incorporation and continue after allotment (with additions as required to provide for added risks). This insurance may be ordered locally or through REA in Washington if the Borrower so desires.

The arrangements described are in general available for your insurance after allotment except that immediate payment must be made. Various favorable rates and insurance arrangements available to all REA Borrowers are described in Form FI-114 and Form FI-112C. The suggestions as to placing all casualty risks with one company are especially pertinent.

b. Prospective Arrangements

A booklet similar to Form FI-114 will be issued shortly to explain similar arrangements for Post-Allotment and continuing insurance. Blanket fire insurance policies are under negotiations so that Fire Insurance (not provided for in Form FI-114) may be procured under similar and favorable arrangements.

[illegible]

V. How Superintendents can Assist the Insurance Program

a. Cooperation in Insurance Matters Mentioned Above and as Described in Our Instructions Will Assist Us Greatly

Specifically,

1. Procure insurance before risks are incurred.
2. Procure REA approval before purchase, or request REA to arrange approved coverage in the insurance group the Borrower prefers.
3. Send duplicate policies of all policies or changes in policies to the REA.
4. Insure additional risks created (new trucks, additional bonds, fire hazards, etc.)
5. Request our assistance if you have any difficulty in procuring insurance, loss adjustment or otherwise.

b. Stop Accidents (explained in Accident Prevention Lecture)

In view of the separate REA Code above described the most important thing you can do is to make REA Projects safe. Our insurance rates will now directly depend upon your accident record and will not be affected by the experience of other electric companies. The importance of this arrangement cannot be over-emphasized. With your help we can produce an accident record which will cut present insurance costs in half. Let's go. The demonstration at the Project Superintendents' Conference in Washington devoted to Accident Prevention suggested ways and means of making projects safe. These safety activities to save lives and suffering are the most important part of our insurance program.

CONFERENCE OF PROJECT SUPERINTENDENTS

TAXES AFFECTING BORROWERS

Taxes Applicable To REA Cooperative Borrowers

I. Federal Taxes

1. General information - exemption of our projects from all Federal taxes except Social Security Taxes.

II. State Taxes

1. Social Security Taxes
2. Gross Receipts, Income, Sales and Excise Taxes
3. Property Taxes

Financial Records Which Should Be Kept By Borrowers For Tax Purposes

III. Social Security

IV. Excise, etc., Taxes

V. Property Taxes

CONFERENCE OF PROJECT SUPERINTENDENTS

'TAXES AFFECTING BORROWERS

Extension Of Remarks

Taxes Applicable To REA Cooperative Borrowers

The Significance Of Taxes

As you all know, any business to be successful must build up its revenues and keep down its expenses. Among expenses you will find that taxes are a very important item. In many borderline projects, the amounts paid for taxes may represent the difference between success and failure.

The tax problem of any organization separates itself into two fields:

1. Prompt return of tax reports and payment of taxes to avoid penalties and prompt application to request exemptions given by law, if such application is necessary.

2. Action taken to reduce taxes.

In other words, first be sure that you don't pay more taxes than you should. After that is settled, you may devote yourself to efforts to reduce the taxes which are imposed upon you.

In order to carry out such a general plan, you must, of course, know what taxes you are burdened with and when they must be paid. In this matter, your project attorney should be consulted and he should give you a list of dates on which various returns must be made and taxes paid. It cannot be too strongly urged that you pay your taxes on time and thus avoid penalties. In some States, there is a 50% penalty added for failure to report property for taxation and pay the taxes.

It is impossible, of course, to give a complete resume of all Federal and State taxes in fifteen minutes, especially if some of the time is to be used in discussion. The following, therefore, is a very condensed summary.

Federal Taxes

As to these, it is sufficient to say that our cooperative projects are exempt from all Federal taxes except Federal Social Security Taxes. These taxes are the Federal Energy Tax of 3% on sales of energy, Federal Income Tax, Federal Capital Stock Tax, and Federal Documentary Stamp Tax. These exemptions, however, must be claimed by the project.

1. Federal Energy Tax

This exemption will be handled by REA upon your application. In its very nature, it would not be applicable until after energization.

2. Federal Income, Capital Stock and Documentary Stamp Taxes

There is an affidavit on the desk of each of you which must be filed in order to obtain the exemption. Be sure to execute it and attach the copies of the charter, by-laws and latest financial statement called for in the affidavit. Send the documents to REA, Finance Division, and we shall file them for you. Of course, in purely membership corporations, the Documentary Stamp Tax will not be applicable since shares of stock (about the only instance where this tax would be applicable) are not issued by such corporations.

3. Social Security Taxes

I have attached to this document an outline of these taxes which may be of help to you. The important thing to remember is that the Old Age Pension Tax (Title VIII) applies no matter how few employees you may

have and that the cooperative contributes 1% and the employee 1% of the payroll.

As to the Unemployment Insurance (Title IX), it only applies if you hire more than eight employees. The cooperative alone pays this tax, which amounts to 3% of the payroll. If you pay a State Unemployment Tax, you get a credit of 90% against this tax. It is for this reason that your State tax for 1938 will probably be 2.7%.

State Taxes

1. Social Security Taxes

These taxes generally supplement the Social Security legislation enacted by Congress. As stated before, in connection with Federal unemployment insurance, you get a credit up to 90% of all sums paid under similar State acts. Hence, since the tax rate in the Federal Act for 1938 is 3%, you will find that in the vast majority of State acts the tax rate is 2.7%. It is impossible, at this time, to go into the various State acts in detail, and we suggest that you write to us about any particular situation which may trouble you.

2. Excise Taxes, Including Income

These taxes are given various names in different States but are generally a percentage of the gross receipts of the business. In Ohio, it is called a gross receipts tax, in Illinois an occupation tax, in other States sales tax or tax on sale of electrical energy. The fact that they are levied on a percentage of the gross is the unfair part of the tax. It is there, however, and must be paid. Each superintendent should consult his attorney as to whether his project is liable to such tax.

Income taxes are in a different category. They are based on

[illegible]

[illegible]

[illegible] more than eight employees. The cooperative alone pays this [illegible] amounts to 3% of the payroll. If you pay a State Unemployment [illegible] credit of 90% against this tax. It is for this reason [illegible] tax for 1953 will probably be 3.3%.

[illegible]

[illegible] supplement the social security legislation [illegible] by Congress. As stated before, in connection with Federal unemployment insurance, you get a credit up to 90% of all a the paid under similar State acts. Hence, under the tax rate in the Federal Act for 1953 is 3%, you will find that in the vast majority of cases the tax rate is 3.3%. It is impossible, at this time, to go into the various State acts in detail, and we suggest that you write to us about any particular situation [illegible] you.

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the net income as defined in the statute and will, therefore, not be very significant as far as our projects are concerned. Very few of our cooperatives have any net income and if they have, we can always reduce our rates to cost since our projects are not in the business to make profits.

3. Property Taxes

Of all taxes which you will have to pay, property taxes will be the most in importance and amount. The intricacies of the various State property tax laws and situs of property for taxation is not within the scope of this document but there is one central thought which we want to impress upon you in regard to this most important type of taxation.

All of you who own property know that the amount you pay is based upon the valuation which has been put on your property by the assessor, multiplied by the tax rate. Generally speaking, we can't do much about the tax rate but we can and will do everything humanly possible to secure a correct valuation of your property.

Our theory, which is absolutely correct legally as well as practically, is that the value of our project properties is based upon its earning ability, not upon the amount of money expended in building the line. If you don't make enough money to pay all your expenses, including reserves for depreciation (same as maintenance fund), interest, amortization and taxes, you should maintain to the bitter end that your line has no value except salvage value. In other words, so long as you make no money, you should pay taxes on a valuation based on the junk value of the line. In Georgia, this minimum value has been set at 8% of construction cost; in Illinois at least one taxing authority has agreed to

[illegible] cooperatives have any net income and if they have, we can always reduce [illegible] rates to cost since our projects are not in the business to make profits.

[illegible]

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4% of construction cost. In Ohio, we are fighting against a valuation of 80%.

Finally, we come to the records which you should keep to enable you to handle your tax problems efficiently.

1. Accurate payroll records and record of employees. This is important for Social Security Taxes.

2. Gross Receipts - for Excise, etc., Taxes.

3. Net Revenue - for property taxation valuation. Be sure to deduct from gross revenue not only operating expenses but reserves for depreciation, interest and amortization and estimated taxes. The lower the net in this one instance, the better.

It is not out of place in summing up to state that accurate and efficient corporate records will be of inestimable help in both justifying your own tax payments and supplying us with the required information in the event that our assistance is necessary in presenting facts and figures to various taxing bodies.

In closing, a request is made to all of you that if you are faced with tax problems of any character at all, be sure to write to the Finance Division and we shall give all possible assistance.

A F F I D A V I T

-oooOooo-

_____

Claiming Exemption Under Section 101 of the Revenue Act of 1936

STATE OF_____)
) s. s.
COUNTY OF_____)

_____ deposes and says that he is the
(Name of Affiant)

_____ of the _____
(Title of Affiant) (Full Name of Association)

located at _____, and that the
(Full address, including street and number)

following statements are true to the best of his knowledge and belief:

1. Date Association incorporated_____

2. State in which incorporated_____

3. Purposes for which incorporated_____

_____

4. If a stock company, amount of capital stock outstanding_____

5. State amount of shares or memberships owned_____

   a. Producers_____
   b. Non-producers_____
   c. Non-producers at time interest was acquired_____

6. Legal rate of interest_____

7. Is reserve required by State law_____If so, what amount_____

8. Will a reserve be maintained_____

9. What are the requirements of membership_____

_____

10. Does Association deal with both members and non-members_____

11. State value of energy purchased during_____period for:

    a. Members_____
    b. Non-members_____
    c. Neither members, nor producers (farm consumers)_____

12. State fully the plan followed in charging for electric energy. (Are consumers charged for the cost, plus estimated operating expenses, plus reserve necessarily set up for amortization and interest?)_____

    _____

    _____

13. Will the Association pay dividends:___if so, how will such dividends be participated in by:

    a. Members_____
    b. Non-members_____

The information contained herein is representative of the purposes and activities of the Association since January 1, 1925, or the date of organization thereof, if organized subsequent to that date.

The attached Financial Statement showing assets and liabilities, and a copy of the Articles of Incorporation and By-laws are hereby made a specific part of this Affidavit.

_____
(Signature of Principal Officer)

Subscribed and sworn to before me this _____day of _____, 193__

_____
(Signature of Officer Administering Oath)

_____
(Title)

Attach:
Financial Statement
Articles of Incorporation
By-Laws

Social Security Taxes

The Act of August 14, 1935, known as the "Social Security Act," imposes three separate taxes on employers and employees, as follows:

Taxes on Employees and All Employers - By Title VIII of the Act, a tax is imposed on the income of every individual equal to the following percentages of the wages received by him with respect to employment: 1% in 1937, 1938 and 1939; 1½% in 1940, 1941 and 1942; 2% in 1943, 1944 and 1945; 2½% in 1946, 1947 and 1948; 3% thereafter. The tax is to be collected by the employer by deducting it from the wages of the employee as and when paid. (Soc. Sec. Act, §801, 802).

Beginning Jan. 1, 1937, a tax is imposed on every employer, with respect to having individuals in his employ, equal to the following percentages of the wages paid by him with respect to employment: 1% in 1937, 1938 and 1939; 1½% in 1940, 1941 and 1942; 2% in 1943, 1944 and 1945; 2½% in 1946, 1947 and 1948; 3% thereafter. (Soc. Sec. Act, §804).

Regarding the foregoing taxes on employees and employers, the term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash, except that it does not include that part of the remuneration which exceeds $3,000 in any one calendar year.

The term "employment" means any service performed by an employee for his employer, except: (1) Agricultural labor; (2) domestic service in private home; (3) casual labor not in course of the employer's trade or business; (4) service performed by a person who has attained the age of sixty-five; (5) services of officers or crew of vessel documented under laws of U. S. or foreign country; (6) service performed in employ of U. S. or state government or instrumentality or subdivision thereof; and (7) service performed in employ of religious, charitable, educational, etc., organizations. (Soc. Sec. Act, §811). A further exception is created by Carriers Taxing Act, 1937, §9, which provides that "employment" as defined in Social Security Act, Title VIII, §811 (b) shall not include service performed by an individual as an employee or employee representative as these terms are defined in the Carriers Taxing Act, 1937.

Returns - Every employer subject to the aforementioned taxes and charged with the duty of collecting such taxes from his employees must make monthly tax returns, in triplicate, on Form SS-1, for each calendar month. (Reg. 91, art. 401).

Every employer must make information returns (1) on Form SS-2, containing a summary of taxable wages paid to his employees and of the taxes with respect to such wages, and (2) on Form SS-2a, reporting the taxable wages paid to each employee. Employer must attach to

Form SS-2 a separate Form SS-2a, for each employee who received taxable wages during the period covered by the return. Form SS-2 must be filed in duplicate, but only one original copy of Form SS-2a must be filed for each employee. These information returns must be filed for each period of three calendar months ending March 31, June 30, Sept. 30 and Dec. 31. (Reg. 91, art. 402).

Employer must also make an information return on Form SS-3 with respect to each employee who attains the age of sixty-five or dies before attaining that age. In addition to reporting the attainment of the age of sixty-five or death of an employee, the return must show (1) taxable wages paid during the period covered by the return for services of the employee, and (2) all remuneration which has not been paid but which when paid will constitute wages subject to tax for services of the employee. The employer must attach to and file with each return on Form SS-3 for an employee attaining the age of sixty-five satisfactory evidence that the employee has attained such age. (Reg. 91, art. 403).

The last returns on Forms SS-1, SS-2 and SS-2a for any person who ceases to be an employer, must be marked "final return." The period covered by each such return must be plainly written on the return, indicating the date of final payment of wages. There must be included as a part of each final return a statement giving the address at which the records of the employer required by Reg. 91 will be kept, and if the employer is deceased or his business terminated, the name of the person keeping the records. (Reg. 91, art. 404).

Each return must be signed and verified under oath or affirmation by (1) the individual, if the employer is an individual; (2) the president, vice-president or other principal officer, if the employer is a corporation; or (3) a responsible and duly authorized member having knowledge of its affairs, if the employer is a partnership or other unincorporated organization. If the total of the taxes shown on any return on Form SS-1 or Form SS-2 is $10 or less, such return may be signed or acknowledged before two witnesses, instead of under oath. (Reg. 91, art. 407).

Returns must be filed with the Collector of Internal Revenue for the district in which the employer's principal place of business is located, or if the employer has no principal place of business in the United States, with the Collector at Baltimore, Maryland. Except as provided in Reg. 91, arts. 403 and 404, each return must be filed on or before the last day of the first month following the period for which it is made. (Reg. 91, art. 409).

Payment of tax shown on each return on Form SS-1 must be made at time of filing such return.

Records - For records required to be kept by the employer, see Reg. 91, art. 412, and other articles therein cited.

Tax on Employers of Eight or More - In addition to the foregoing taxes,

Title IX of the Social Security Act imposes on every employer (as defined in that Title) for each calendar year, an excise tax with respect to having individuals in his employ equal to the following percentages of total wages payable by him with respect to employment during such year: 1% for 1936, 2% for 1937, and 3% thereafter. There may be credited against the tax the amount of contributions paid by the employer into an unemployment fund under a state law. An additional credit may be allowed, beginning with the year 1938, based on the payment of a lower state contribution on account of the employer's stability of employment. The total credits may not exceed 90% of the Federal tax. (Soc. Sec. Act, §§901, 902, 909, 910).

For the purpose of this tax:

(a) The term "employer" does not include any person unless on each of some twenty days during the taxable year, each day being in a different calendar week, the total number of individuals who were in his employ for some portion of the day was eight or more.

(b) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.

(c) The term "employment" means any service performed by an employee for his employer, except: (1) Agricultural labor; (2) domestic service in a private home; (3) service of officers or crew of vessel on navigable waters of U. S.; (4) service of individual in employ of his son, daughter or spouse, or service by child under twenty-one in employ of father or mother; (5) service performed in employ of U. S. or state government, or instrumentality or subdivision thereof; and (6) service performed in employ of religious, charitable, educational, etc., organization. (Soc. Sec. Act, §§907).

Returns - Every employer subject to this tax must make a return, on Form 940, for each calendar year. Each corporation subject to the tax must render a separate return. (Reg. 91, art. 300). The return must be verified under oath, unless the tax is $10 or less, in which case the return may be signed or acknowledged before two witnesses. (Reg. 90, art. 301).

Returns must be made on or before Jan. 31 following the close of the calendar year and be filed with the Collector of Internal Revenue for the District in which the employer's principal place of business is located, or if the employer has no principal place of business in the United States, with the Collector of Internal Revenue at Baltimore, Maryland. (Reg. 90, art. 303).

Payment of tax must be made at time of filing return.

[illegible] Section [illegible] y Act imposes on every employer (as defined [illegible] each calendar year, an excise tax with respect to having [illegible] in the following percentages of total [illegible]

[illegible] contributions paid by the employer into an [illegible] Act of May [illegible] 1936, based on the payment of a lower [illegible] account of the employer's stability of employment, [illegible] not exceed 90% of the federal tax. (Sec. [illegible] Act, [illegible]).

For the purpose of this tax:

(a) The term "employer" does not include any person unless on each of some twenty days during the taxable year, some day being in a [illegible] calendar week, there is not a number of individuals who were in his employ for some portion of the day was eight or more.

(b) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash.

(c) The term "employment" means any service performed by an employee for his employer, except: (1) Agricultural labor. (2) domestic service in a private home; (3) service of officers or crew of vessel on navigable waters of U. S.; (4) service of individual in employ of his son, daughter or spouse, or service by child under twenty one in employ of father or mother; (5) service performed in employ of U. S. or state government, or instrumentality or subdivision thereof; and (6) service performed in employ of religious, charitable, educational, etc., organization. (Fed. Soc. Act, § 907).

Returns - Every employer subject to this tax must make a return, on Form [illegible], for each calendar year. Self-employed subject to the tax must render a separate return. (Reg. 21, sec. 200). The return must be verified under oath, unless the tax is $100 or less, in which case the return may be signed or acknowledged before two witnesses. (Reg. 21, art. [illegible]).

Returns must be made on or before the [illegible] following the close of the calendar year and be filed with the Collector of Internal Revenue for the District in which the employer's principal place of business is located, or if there is no principal place of business in the United States, with the Collector of Internal Revenue at Baltimore, Maryland. (Reg. 21, sec. [illegible]).

Payment of tax must be made at time of filing return.

CONFERENCE OF PROJECT SUPERINTENDENTS

WHOLESALE RATES

1. The Rate Section is a section of the Operations Division

2. Rate Section has two main functions
   a. Retail Rates
   b. Wholesale Rates
   c. The men in charge will speak on their procedures on each. I want to emphasize a few questions of policy on this session's topic WHOLESALE RATES.

3. Wholesale rate levels are too high. REA began with high wholesale rate levels.
   a. We had no alternative
   b. Now we are getting them down to around 1¢ average
   c. But this is not as low as Bonneville's ½¢ rate
   d. We are striving to lower them. Let us help you.

4. Wholesale rate contracts too complicated
   a. Some of the contracts remind you of grocery rolls of wrapping paper
   b. We want to make them short -- a page or so.

5. We inherited private utility wholesale rate practices.
   a. We are striving to make them conform to cooperative practices and your members'needs. We want your help in doing so.

CONFERENCE OF PROJECT SUPERINTENDENTS

WHOLESALE AND RETAIL RATES - INTRODUCTORY

The principal functions of the Rate Section are:

1. To assist projects in negotiating and analyzing wholesale energy rates and contracts.

2. To assist projects in setting up a retail rate schedule which will induce the maximum use of service and at the same time permit the project to be self-liquidating.

For working purposes the Rate Section is divided into two units: (1) wholesale, (2) retail.

Wholesale

1. Become familiar with your wholesale energy rate and contract, especially those provisions which affect the rate schedule.

2. Check each power bill.

3. If you feel that your power costs are too high, if you are being penalized by some contract provision, if the bill is incorrect, if the bill is not rendered in accordance with the contract, or if you are doubtful about any of these matters, write to the Rate Section.

Retail

1. Become familiar with each retail rate schedule.

2. Become familiar with the conditions of service under which that schedule is rendered. Read carefully and remember all of the text on each rate sheet.

3. Read carefully the mimeographed explanations which are sent you pertaining to the various rate schedules.

4. Study and restudy the Rate Handbook from cover to cover.

5. When in doubt as to the method of computing a bill under a retail rate schedule, as to the application of a schedule, as to the classification of a member, or as in similar matters affecting the retail rates, write to the Rate Section.

6. If you need schedules for other classifications of service which have not been sent to you, also write to the Rate Section.

CONFERENCE OF PROJECT SUPERINTENDENTS

WHOLESALE POWER COSTS

Wholesale power costs constitute a major item of operating expense on your project. Accordingly, it is good business to check your power bill each month. To assist you in keeping an accurate, simple monthly record, Operations Memorandum No. 21 has been submitted to each of you. After checking the bill, the various items should be listed on that form.

As wholesale rates and contracts vary widely, it is difficult to establish a fixed rule for all projects to follow. Five suggestions, however, follow.

A. Review Power Contract Carefully With Particular Reference To:

1. Rate. Be certain that you can figure out the rate. If there are any questions, get in touch with the Rate Section.

2. Minimum Charge. Almost all minimum charges are waived for the first twelve months. Check amount of that charge for your project with total bill to determine that the minimum charge is not penalizing your project. Notify the Rate Section of any penalty.

3. Minimum demand for billing purposes. Some contracts contain a minimum billing demand. Make certain that the actual demand equals or exceeds the minimum billing demand.

4. Ratchet demand clause. It is the clause in the contract which provides the method whereby the maximum past or future demands are taken into account in establishing billing demand for subsequent or previous periods. It is suggested that you get in touch with the Rate Section if there is any question. In checking the bills each month, check actual demand and billing demand. They should not be different consistently.

5. Prompt payment or penalty provisions. Sometimes a discount is allowed for prompt payment within specified period. In other contracts, a penalty is added if the payment is not made within a specified period. Make certain that the payment is made in time either to obtain discount or avoid penalty.

6. Power factor clause. While they are different for various projects, there is usually a penalty when the power factor is below 80% or 85%. Frequently, there is a credit when the power factor is above 85%. It is important that the clause is properly applied. Advise Rate Section of any questions.

7. Fuel adjustment clause. These vary in each contract. Where adjustments are made, obtain fuel costs from the Company to determine that the clause is properly applied.

8. Tax clause. It is usually based on the laws in the particular state. Note its application to your case.

9. Term and Termination Notice date. Fill in proper space on Operations Memorandum No. 21 with both items so that proper notification can be given either to renew or discontinue contract, or negotiations undertaken to improve contract. Notify Rate Section of any action taken in that respect.

B. Accompany Meter Reader Of Company If Possible And Keep Record As Check.

Make a practice of accompanying the meter reader when he arrives to read the meter. Keep a memorandum of his readings for checking purposes. This practice will permit computing the bill in advance of its receipt. This not only provides a check but gives prior indication, by five to eight days generally, of the total amount the project must provide to meet the payment of its bill.

C. Power Bill Should Show All Data Affecting Bill.

Insist that bill rendered shows:

1. Meter reading dates. Previous and current months, with actual meter readings so that difference represents energy consumed.

2. Actual maximum demand reading and billing demand, if it is different from the actual.

3. Any adjustment in kwh such as meter constants, power factor, primary metering, etc.

4. Power factor reading, where such clause is included.

5. Discounts or penalties due to operation of power factor clause, fuel clause, tax clause, primary or secondary metering, delayed, or prompt payment.

D. Keep Monthly Record On Operations Memorandum No. 21

Check every item on the power bill each month. Do not assume any of the figures shown as correct are so without checking. If there are any questions, communicate with your power supplier. Furthermore, do not hesitate to write Rate Section, sending all facts when any question arises about power costs.

E. Power Sources For Additions To Project.

1. Determine whether your existing source can supply the new section. If not, obtain rate quotations from all possible sources. If it can, make an effort to obtain a lower rate.

2. If a new delivery point is necessary from an existing power source, determine whether a new contract is necessary.

3. If your source is a municipal plant, determine whether sufficient capacity is available for these additions to your project.

CONFERENCE OF PROJECT SUPERINTENDENTS

RETAIL RATES

The following explanations of the various Retail Rate Schedules are those in effect or suggested for various projects at present. The Retail Rate Section has been obliged to attempt to discover what Rate schedules will best serve the needs of the varying types of consumers found in our Projects throughout the United States. Of necessity, this has resulted in much experimentation.

It must not be assumed that any of the Rate schedules that follow are necessarily the last word on this subject. On the contrary, we are constantly searching for better and simpler rates to serve the maximum number of consumers at rates that will satisfy the maximum number of consumers on each project. As far as the Government is concerned, in addition to bringing electricity to those who are not now receiving central station service, your principal obligation is to repay your loan. Otherwise, these projects generally belong to their members and any reasonable Rate schedule or schedules that bid fair to repay the Government loan, satisfy our requirements as well.

This means that projects must continually use discretion in the application of suggested Rate schedules. As you know, there are no Retail Rate schedules that apply equally to all persons everywhere, due to the varying uses, and ability to pay. The only principle that we suggest is that persons receiving broadly similar types of service should be treated and charged alike, in order to avoid unreasonable discrimination. We will welcome suggestions from the projects at any time as to new and better ways of repaying their Government obligation by rates and charges which they deem to be to the best interest of the members on their Project in the light of their REA loan.

C. A. Winder, Director
Division of Operations
Supervision

RETAIL RATE SCHEDULES

Schedule A

Over 90% of your members will be served on Schedule A. Therefore this is by far the most important schedule. It covers single-phase service to farms and residences. The provision for increasing the minimum bill in those few instances where members need more than the normal transformer capacity is important. The project must make a larger investment to serve such members and should be assured of a larger minimum revenue. Ordinarily the actual bill for energy used will be more than the minimum, but sometimes, for example, a farmer installs a 5 or 10 h.p. motor which is only used occasionally during certain seasons. Such a motor brings in very little revenue but involves a large investment.

Schedule B

Business establishments of every kind should be served on Schedule B. On the average, this class of member uses several times more kilowatt hours per month than a farm or home. Rate schedules are designed to meet average conditions, and Schedule A is not suitable for this type of service. Many large commercial members would be served at a loss on Schedule A. The blocks on Schedule B are made longer and the final block is usually reached after the use of 3000 kwh per month as compared with 200 kwh per month under Schedule A.

Schedule B, in turn, is not designed to serve large power consumers requiring in excess of 25 KVA of transformer capacity. These might be billed at the low final price for almost their entire usage, which would be less than the cost of serving them. This schedule also covers three-phase service to farms, temporary service, and seasonal service. A further explanation will be found in the descriptive bulletin attached to Schedule B.

Schedule WH

Controlled water heating is a very desirable type of load. However it is not possible to build up much water heating load unless the price per kilowatt hour is low, and 1.3¢ per kilowatt hour or less is usually found to be necessary. It is often possible to offer a rate for water heating which is lower than the average cost of purchased power provided automatic time switches are installed, insuring that the water heating load will be almost entirely off-peak. Under these conditions the demand portion of the wholesale power cost may be disregarded. It may also be assumed that water

heating load is supplied from the lowest priced energy block reached by the project on the wholesale rate schedule. On these assumptions we generally recommend that the off-peak rate contained in Schedule WH should be 3 mills higher than the lowest price at which the project purchases any portion of its energy. The 3-mills margin is sufficient to cover the increase in distribution losses occasioned by the water heating load and allow a small margin of profit. A bulletin is attached describing Schedule WH in more detail.

Schedule E

Schedule E makes it possible to serve schools, churches, and community halls at a lower guaranteed annual revenue than on Schedule A or Schedule B. There is an annual guarantee in place of a monthly guarantee, which means that if little or no service is used during certain months, as will be the case with schools during the summer season, there need be no charge during that month.

Schedule A-V

This schedule is generally recommended when the project serves one or more villages. The rate is the same as Schedule A except that the minimum charge is lower. It is recommended that a village be defined, for the purpose of this schedule, as a group of houses so located that six or more can be economically served from the same transformer. It is not necessary to obtain six applications before offering the village rate. It may be assumed that ultimately the majority of these prospective members can be connected.

Schedule A-S

This is primarily a schedule for summer cottages. The guaranteed annual revenue should not be less than $18.00 per year, since this is approximately the minimum cost of serving any consumer. If the average investment per cottage is appreciably in excess of $100 the annual guarantee should be higher.

Schedule A-3

This schedule offers service to tenant farm houses at a low minimum charge, provided they are located adjacent to the main farm house or another tenant house so that the owner can install the wiring from house to house. Its application is necessarily limited, since most farm tenant houses are not so located.

Schedule D

This schedule is designed to bring service within the financial reach of the low income class of potential member. The use of this schedule is still in the experimental stage. It has

been adopted by about twenty projects, principally in southern states. Most of these are using Schedule D for the purpose of reaching Negro tenant farmers who cannot afford the regular project minimum, and who are not so located that Schedule A-3 can be applied. A full discussion of this schedule is contained in the descriptive leaflet attached to it.

Schedule LP

All consumers requiring more than 25 KVA of transformer capacity should be served on this schedule. The rate is based principally on the wholesale power rate of the project in question. Consumers having a high load factor will obtain service at a low average cost per kilowatt hour on this rate and vice versa; those having a low load factor will pay a high rate per kilowatt hour. This type of rate enables the cooperative to serve each consumer more nearly at cost.

Street Lighting Schedules--SL-1 and SL-2

The choice between these two schedules will depend on whether the cooperative or the village turns the lights on and off and renews lamps when burned out. The former, under SL-1, is to be preferred, but if located at a distance the village may perform these services, in which case Schedule SL-2 should be used. Automatic time switches are available for use under Schedule SL-1 at reasonable cost to turn street lights on and off in accordance with a seasonal dusk to dawn schedule.

CONFERENCE OF PROJECT SUPERINTENDENTS

MAPS

I. Need for Adequate Maps in Operations.
   1. Line trouble location
   2. Future extensions
   3. Spotting prospective members
   4. Load building activities

II. Data Which Should Be Shown on Operating Maps.
   1. Fusing
   2. Transformers and Services
   3. Members and their status
   4. Proposed extensions

III. Sources From Which Base Maps May Be Secured.
   1. Post Office Department
   2. Coast and Geodetic Survey
   3. U. S. Geological Survey
   4. U. S. Department of Agriculture, Bureau of Soils
   5. State-wide Highway Planning Survey

IV. Methods of Compiling Base Maps Into Project Maps.
   1. Combination of base maps and retracing
   2. Combining Van-Dykes of base maps and retouching
   3. Enlarging base maps by pantagraph
   4. Enlarging base maps by projection

V. Experimental Program of REA Mapping Section

CONFERENCE OF PROJECT SUPERINTENDENTS

JOB OF OPERATIONS DIVISION

1. The Development of Our Program
   a. Experience of REA to the Present
   b. REA progresses with the program

2. The Project and the REA
   a. Their experience and our program
   b. Learning the best experiences everywhere.

3. Sound Operating Procedure
   a. Board's and Superintendent's Duties
      (1) Role of each
      (2) Necessity for modesty when Superintendent returns from this conference. Don't lay down the law. Use gentle persuasion.
   b. Looking forward to early democratic management by the cooperatives
   c. Interchange of best cooperative techniques
   d. Friendly assistance of REA

4. The Problem before us
   a. Our objectives:
      (1) Maximum number of rural consumers
      (2) Maximum amount of electrical energy usage
      (3) At the lowest price, consistent with costs, consumers are able to pay
      (4) Under a democratic procedure of self-management
      (5) And repayment of obligations.
   b. How the Project can aid in attaining these objectives
   c. The helpful role of the REA
   d. Superintendents

CONFERENCE OF PROJECT SUPERINTENDENTS

THE UTILIZATION DIVISION

What Makes A Project Successful

1. Securing of consumers.
2. Wiring programs.
3. Meetings.
4. Demonstrations.
5. Energizing celebrations.
6. Literature.
7. Value of certain types of appliances.
8. Sale of appliances.
9. Dealer cooperation.
10. Cooperation from the extension service.
11. Project responsibility in load building.
12. Assistance which REA can give.
13. Necessity of promoting the productive uses of electricity.

CONFERENCE OF PROJECT SUPERINTENDENTS

UTILIZATION DIVISION ACTIVITIES

The Utilization program is a continuous activity or series of activities which starts at allotment, continues through the various project stages and does not stop even when the project is turned over to the borrower. I will attempt to "high-light" our work in one presentation emphasizing particularly the work done up to the time of project completion.

One year ago, six teams consisting of a home economist, a utilization representative and an agricultural specialist had been placed in the field. Since that time changes have been made resulting in our having twelve teams consisting of a home economist and a utilization representative who cover practically the entire country. Changes in the agricultural activities will be described later.

REA believes that complete rural electrification does not end with the construction of lines but that it includes the effective use of electricity by project members. This is essential in order that the projects may build up sufficient revenues to repay government loans and to assure the best use of electricity by project members. From the viewpoint of project payout we might consider the following equation always assuming reasonably efficient project management: The number of consumers x kwh per consumer = degree of project success. These two factors must be borne in mind at all times. This brings me down to a discussion of some of our activities.

The basic plan of operation was published in the portfolio "First Steps in Load-Building" and supplied to the REA staff and to all Project Superintendents. The portfolio is keyed to the psychological steps in the life of a project up to the time of energizing. It contains educational literature which should be sent out to members. It describes the types of meetings with dealers, wiremen, plumbers and members which would benefit the project. It explains the wiring and plumbing loans. It points out the value of holding energizing ceremonies. It is interesting to note that since the portfolio was prepared 1,282,000 pieces of portfolio literature have been ordered by projects for distribution to members. Aside from its value in organizing early utilization activities, the portfolio program has assisted in maintaining the project morale at a high level through keeping members advised periodically as to the progress which was being made in line construction.

There were so many demands from the projects for assistance that during the first several months our six utilization teams could spend very little time with any one project. We tried to contact and

get acquainted with all of them and to help them initiate their load-building program.

When this first large task was completed we were then able to slow down the flying attack and spend several days with each project conducting mass meetings of the members to acquaint them with proper methods of wiring and lighting their premises and the many ways in which they could make effective use of electricity. To date over 1400 such meetings have been held with a total attendance of over 250,000. These mass meetings also served to revive the interest and enthusiasm of the members and to give them a sense of satisfaction in being a part of a growing, thriving cooperative organization. During the summer of 1938 we felt that we had accomplished sufficient coverage with these more or less spectacular activities so that we could reorganize our forces for the steady long-pull work required in all projects.

As we are now operating, the field representatives of the Utilization Division are supplied from headquarters with basic information of the operating results of the projects in their region. Special attention is being given to the least successful projects. The field representatives are working with the project employees and officials to determine the reasons for existing deficiencies. It is interesting to note that more than 240 activities of varying kinds have been conducted and that more than 360 projects have been visited by utilization field representatives. After a careful study of conditions they prepare a program of activities designed to correct the deficiencies.

Their efforts deal largely with the following problems:

1. Stimulating all unserved members to immediately wire their premises and accept service.
2. Providing the members with proper lighting equipment.
3. Securing additional members.
4. Special campaigns to increase the use of electricity by minimum bill members.
5. Promoting the use of electricity for all accepted household applications.
6. Promoting the application of electricity to all agricultural production prevalent in each project area.
7. Securing the active cooperation of voluntary working committees of members.
8. Securing the active assistance of the Extension Service Workers and Vocational Agriculture Instructors.
9. Stimulating aggressive sales effort by all electrical and plumbing contractors, dealers in lighting equipment, home appliances and electrically operated agricultural equipment.

In the limited time allotted to me I cannot go into a detailed

discussion of the method of attacking each of these problems but I will explain briefly the general plan of operation. In the Utilization Division the front line of attack is our field staff but members of our headquarters staff are required to spend a large part of their time in the field in order to augment the efforts of our field representatives. This enables them to prepare and test out basic plans of activities and campaigns which then can be placed in operation successfully by the field staff. It also enables them to devise variations of the basic plans to adapt them to special conditions in the various geographic areas.

Wiring

The first load-building task for every project is to get all the members to wire their premises and accept service. The Congress provided that these REA financed projects should be self-sustaining. We realize that projects cannot be self-sustaining unless members have their premises adequately wired so that they can use electricity abundantly. The revenue from the sale of current to the members must be sufficient to pay the interest and amortization on the loan and for the maintenance and operation of the lines.

Due to the fact that today's program is designed to explain activities in the very early stages of a project, I am going to emphasize our wiring program. Experience has shown that unless well-planned wiring activities are adopted project members may be forced to pay excessively high prices for wiring and a sufficient number of members may not be ready for service in order to justify energizing a completed line. The lack of experienced wiremen in rural districts has made it necessary to organize mass wiring activities. Wiring specifications were drawn up based on the National Electrical Code. A long term financing plan was devised. A new program was adopted which if conscientiously promoted will eliminate delay in connecting members and sharply reduce wiring costs.

The wiring program with complete instructions on how to place it in operation is sent to the project superintendent or other responsible person of all new projects as soon as the loan contract has been sent. On supplemental projects the program is sent as soon as the project is allocated. This program requires that three quarters of the members who have signed for service must sign a bona fide house wiring contract before starting line construction. The date for sending this program to the projects has been timed so the project officials will have ample time to fulfill the requirements and not cause any delay in the construction of the lines. The membership applications secured under the preallotment procedures do not fulfill the requirement for bona fide wiring contracts. One week after this program is sent to the project a follow-up letter is sent asking what progress is being made.

I am going to outline the step-by-step procedure of this wiring program.

1. Hold a group meeting of all the wiring contractors or wiremen who operate in the project area. Efforts are made to gain the confidence and cooperation of the contractors by showing them the problems facing the cooperative, how the cooperative functions, and the necessity of getting members' premises wired quickly so the cooperative can be placed on a self-sustaining basis in a short period of time. It is explained that the high costs of wiring have been one of the main factors against the interests of the cooperative and the farmer. It is shown that the old fashioned and inefficient method of soliciting house wiring contracts not only created high wiring costs but actually reduced contractors' total profits. It is explained that under the new plan it is intended to assign separate territories to each contractor to do all the wiring in his territory, thereby saving the expense of solicitation and competitive bidding on each wiring job. The contractors are then asked to give unit bids on each type of electrical outlet, service entrances, and outside wiring. These unit prices are given by the wiremen at the meeting. If the low bid is within range of the fair price schedule which has been suggested, then an effort is made to get all contractors to agree to take groups of houses at the low bid received. If the low bid received is too high or even too low to be economically sound then it is necessary to negotiate a fair price by showing the contractors actual cost of labor and materials for each type outlet and then adding a fair percentage of profit and overhead. It is generally found that an agreed price can be reached that will be within 10% of the suggested schedule of fair prices. We now have a uniform standard price by all wiremen, that is anywhere from 33% to 50% lower in many cases than that charged before, which has been made possible by a mass wiring operation.

It is then necessary to sell this group plan to the members on the project. This is best done by a mass meeting or several mass meetings, depending on the size and geographic conditions of the project. On some projects the contractors offer a free wiring job as an attendance prize to assure a large attendance.

Colored handbills are then prepared and sent to all farmers living along the route of the proposed lines. These handbills are similar to this sample copy offering a Free House Wiring Job to the lucky one attending the meetings. They state the time and place for meetings and urge members and their wives to attend so they can become acquainted with

1. What has been done to lower the cost of wiring.
2. Why construction of the lines on their road cannot start until they have placed a bona fide contract for wiring.
3. The fact that the Electric Lines will ultimately belong to them.

4. How to get long term financial assistance for wiring, lighting fixtures, and plumbing.
5. Why all who want service from the new lines must sign service contracts now, not later.

This type of notice has generally brought out a large attendance, similar to the attendance that we have here today. A demonstration of good and adequate wiring and lighting is given. A copy of the agreed schedule of prices and a copy of the standard wiring contract is given to each member attending. The proceedings at these meetings are, generally, as follows:

1. Build up the cooperative spirit. Explain that the electric lines will eventually belong to the members and the necessity for each one to do his share to make the project a success. Explain clearly that there is no personal liability on the part of the members for repayment of the construction loan, maintenance and operation of lines, and damage to life or property from falling wires during storms, etc.
2. Explain in detail the following points:
   a. Lines cannot be constructed without sufficient members wired to justify energizing and provide sufficient revenue to pay power costs.
   b. Necessity of getting sufficient members wired and connected to place project on self-sustaining basis.
   c. New requirements that 3/4 signed members must sign bona fide wiring contracts before permitting construction of lines, so previous difficulties will be overcome.
   d. Explain why farm wiring prices have been high, similar to explanation given at contractors' meeting, and then outline what has been done to lower the cost of wiring for the farmer and details of group wiring plan.
   e. Explain the standard wiring specification: how it has been drawn for the benefit of the farmers to make sure that no unnecessary regulations are set up that would cause extra expense to the farmer beyond that for a safe wiring installation.
   f. Every contractor must do the wiring in accordance with the specifications and must have the wiring inspected and approved before service can be given so members are assured that whatever contractor is assigned to their district has to make a safe and satisfactory installation. Stress the fact that members should not pay the contractor in full until the wiring is inspected and approved. This makes it necessary for the contractor to do his work properly without any additional expense to the farmer. Each contractor must give to the member a written guarantee on his work.
   g. Explain the value of the standard form contract to the member; how it functions. The contract states that the member desires the approximate number of outlets in-

dicated on the contract and agrees to pay for same as per attached schedule of unit prices. This number of outlets is approximate and can be increased or decreased at the time of installation. The contractor will visit each farmer and finally determine where the outlets are to go and the total required. Farmer and contractor will check each item as per price schedule and agree upon total amount before contractor starts work. Since all contractors have the one uniform unit price schedule there is no advantage in calling in another contractor.

h. After proper explanations are given have all attending meeting fill out and sign contracts at the meeting.

i. Get each one present to volunteer to see one or two of their neighbors. Take additional contracts and price schedules with them. Have neighbors sign and return to office by predetermined date.

j. An explanation is given on inspection of wiring, how it is done and the value of inspection to the members.

k. Have all members fill out card stating their intentions, address, sign and place in box for drawing of Free House Wiring Job.

To all who did not attend meetings the complete wiring package is sent. This package gives a complete description of the program and its benefits, and requires the members to return their signed contracts to the cooperative office by a certain date. Usually two weeks' time is given. If the required number of contracts is not received through these mediums then salesmen are employed to obtain the balance by personal contact.

When the program has been energetically promoted the work has been accomplished in three weeks.

If every field representative of every Division in REA, when talking to project superintendents and officials during the period from pre-allotment to the starting of construction, will continually stress the fact that this program must be carried out, I am confident it will be a success.

Of course, the high line contractor will not be stopped when he is ready to start work. We know that, but if we continually keep before the project officials the fact that the wiring contracts must be obtained the work will be accomplished, and in the majority of cases we will have a far greater percentage of the houses wired than we had under the previous system.

Wiring Inspection

Before REA came into the picture rural wiring inspection was available in only a few states. In contrast to the urban user of electricity, the farmer was not protected against the hazards of

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[illegible]

unsafe wiring. Unsafe wiring not only creates a hazard to the life and property on the farm but it might cause irreparable injury to the projects themselves and a series of mishaps might endanger the entire rural electrification movement. For these reasons a system of inspection was developed which was completely independent of the projects. At first considerable selling effort was required to get any inspection plan adopted. Today however, inspection is almost automatically accepted and the project members realize that their lives and property are being protected. At the present time rural wiring inspection has been set up in 43 states and approximately 400 inspectors are engaged in the work.

Lighting Equipment

In many rural areas served by our projects it has been impossible for the farmers to buy proper lighting fixtures at any price and when they have gone to the larger cities they had to pay exorbitant prices for even the old type bare lamp fixtures. Consequently a number of the larger and more reputable manufacturers were invited to assist in serving this virgin market with good quality shaded-light fixtures at reasonable prices.

Several of these companies are now offering special groups of nine fixtures to equip the average six-room house. Each company offers one group to sell to the farmer at about twenty dollars and two other groups which are somewhat more elaborate at slightly higher prices. Under this plan project members are able to purchase fixtures at about $\frac{1}{2}$ the previous cost. In this new plan the regular channels of distribution take a smaller gross margin because the large volume of business available in a small area enables them to greatly reduce their sales expense.

Special literature has been prepared by the manufacturers and REA to advise the farmers it is no longer necessary to pay excessive prices for good fixtures. Utilization field representatives have demonstrated and explained these fixtures in group meetings and have also persuaded local contractors and dealers to push these special groups. As a result, we find an ever increasing percentage of farm homes with complete installations of shaded-light fixtures. Very few farms are now installing drop cords with bare lamps or the old type of bare lamp fixtures which are equally bad from a lighting standpoint.

In order to give further impetus to this forward movement the Installation Loan procedure is being revised so that REA will finance only the fixtures sold by those companies who are cooperating in popularizing the special groups of low-cost shaded-light fixtures. Emphasis will be placed upon the fact that these fixtures can be financed on the Installation Loan Contract together with the wiring and the service extensions not provided by the Construction Contract.

New Member Campaigns

Before a successful activity can be launched it is necessary to secure certain fundamental information about the project. In order to do this a Member Service Summary form was devised which records the names of all parties having farmsteads along the existing lines. By grouping these names geographically with respect to each section of the lines, an automatic work guide is provided. The superintendent and his workers can then tell at a glance where work is needed to secure new members and wiring contracts, also whether the transformer, service drop and meter have been provided.

Meetings must be arranged and notices sent to all members and prospective members advising of the necessity for prompt action. The directors and other volunteer workers are assigned groups of prospects to solicit. The campaign will be most effective if it runs for only a short period - two or three weeks. In practically every project a sound, plausible reason for prompt action exists; additional funds must be secured from REA for transformers, etc. and the request must be submitted by a definite date, the directors have to report on the status of the cooperative at the impending annual meeting or sufficient transformers, etc. are on hand to serve only a given number of new members and the early applications will be given preference.

Aggressive electrical contractors can give valuable assistance in such campaigns and if properly instructed can secure many new memberships while soliciting wiring contracts.

Special Campaigns for Minimum Bill Members

Every project has a certain percentage of minimum users. While it is not believed possible to raise all of these above the minimum a substantial number can and will use more electricity if it is possible for them to secure good quality appliances at a low cost. Good portable lamps are needed in every home and because they are "daily use" items they are particularly helpful in raising many users above the minimum class. Two other effective "daily use" items are the toaster and coffee maker.

Manufacturers of I.E.S. lamps have agreed to cooperate with REA in making available to all project members two lamps on a special reduced price basis. Briefly the plan is this:- a 100 watt I.E.S. table type Study Lamp and a 300-200-100 watt I.E.S. Three-Lite Floor Lamp will be sold in combination for $9.95 complete with Mazda lamps of proper wattage and voltage. The projects will be enabled to finance these on the basis of 95 cents down and 95 cents a month for 10 months on the electric current bill. Only the special lamps which bear the tag of the Electrical Testing Laboratories certifying that they comply with the Illuminating Engineering Society specifications and which also meet supplementary requirements set up by REA may be financed with REA funds.

The Utilization Division staff will be supplied with a simple portfolio to assist in selling the campaign to the projects and the dealers. This type of financing is new to REA and we want our representatives to arrange the set-up in all cases to make certain of its ultimate success. We hope it will be possible a little later to offer similar campaigns on other low-cost "daily use" appliances.

Promoting Household Applications

We have been particularly successful during the past year and a half in getting the farmers to buy and use all types of useful household appliances. In the course of only a few short months REA projects have secured approximately the same saturation figures which the electrical industry has spent 20 years in achieving.

In only seven months' time on the average, project members have purchased a surprisingly large number of appliances averaging $200 per member. It is interesting to note that the more expensive items are being purchased in relatively large quantities. For example 28% of project members purchased refrigerators in this short period, 52% are using washing machines, 83% have purchased radios, 17% have installed water pumps. Even with these very favorable results which have been obtained up to the present time it is expected that a new approach to this newly created rural market can sharply increase the sale of major appliances such as ranges, water heaters and refrigerators. We are soon starting special activities in selected projects with the cooperation of national manufacturers, distributors and dealers. From these special activities we hope to develop a campaign procedure that can be put in operation for all projects.

The work which is being done by our Home Electrification Specialists has far-reaching effects. Their appliance and lighting demonstrations have been very successful. Manufacturers and utility companies have copied some of them. Aside from this somewhat spectacular type of work, they have rendered a distinct service to REA-financed projects by keeping appliances in service. Range users are called on by our Home Economists in order to make sure the members are securing satisfactory service. In many other ways they prevent dissatisfaction among members. Many schools have been held to assist in training Home Demonstration Agents of the Extension Service in order that they may be able to give greater assistance to our projects. In ten states training schools have been held for 834 home demonstration and county agents. Courses have been held which were attended by 932 vocational teachers plus hundreds of home economics students. Because of the Home Electrification Specialists' activities, women's interest in project affairs has been stimulated to the very great benefit of the project.

Agricultural Activities

One of the most important activities of the Utilization

Division is to introduce and popularize the productive uses of electricity. Electricity may be used in many ways to actually increase farm incomes. The sale of ensilage cutters, brooders, feed grinders, milk coolers, portable motors, soil heating cable, cream separators and similar devices lags far behind domestic appliances. Many factors cause this:- the farmer is unfamiliar with equipment available and how it will perform, he often has an investment in gas-engine driven equipment that he hesitates to discard and further, the local implement and hardware dealers are extremely slow to realize the enormous potential market for such equipment and do not carry it in stock and aggressively try to sell it.

In order that we may solve this problem more effectively we are changing our method of approach. In the past agricultural specialists were assigned to each region. These men had to discuss the application of electricity to all types of farming such as poultry raising, dairying, fruit and vegetable production, general farming, etc. They also assisted the farmer in solving his refrigeration and irrigation problems. While a good job was done in this connection it is apparent that no one man can be an expert in all types of farming. In order to meet this condition we hope to add to our staff experts in various phases of agriculture who will prepare and initiate effective campaigns to show how electricity can be profitably adapted to these pursuits.

As an example of what can be accomplished in this connection we cite an activity being conducted in Virginia. In this case one of our agricultural engineers enlisted the cooperation of the Extension Service to introduce electric brooding on an REA-financed project. Several farmers pooled their initial orders for a total of 152 brooders and a favorable price was secured. These installations have stimulated great interest on the part of other farmers and additional orders are being placed. Impartial observers have indicated that if these early installations are successful a large number of brooders will be connected to the lines in the next year and that the project may realize an additional annual revenue of approximately $10,000 from this one source.

One of our most interesting activities has been the Farm Equipment Tour which was conducted in Iowa and Nebraska. This proved to be a most effective means of showing the farmer how electricity can be adapted to meet his needs. At the same time dealer interest was aroused in this field. I am sorry that the conference program is so crowded that we cannot describe this activity in detail.

Plumbing

_____ projects are now engaged in activities which will make it possible for their members to secure the advantages of modern plumbing for the first time. One of the first conveniences which farm people desire is running water in the home and at the

barn. Specifications have been prepared which permit the installation of safe plumbing but eliminate unnecessary requirements sometimes found in urban installations. Negotiations carried on with manufacturers, distributors and plumbing contractors have brought the cost of plumbing installations within the reach of thousands of project members. Additional booklets have been prepared which we hope will make it easier for project people to carry on plumbing activities.

Stimulating Local Cooperation

I will not get into the details of securing active cooperation of the local volunteer workers, the extension workers and educational agencies and all the commercial interests. I merely want to point out to you that this is a never-ending process. It is a big job for our limited staff but I believe many very satisfactory results have been accomplished and we won't be satisfied until we have all these agencies working harmoniously with the officers and employees of all REA-financed projects.

The lethargy of the small town dealer is appalling. However, after he has once been persuaded to participate in the activities conducted by our representatives he usually wakes up and after blinking his eyes wants to know when we will be back to start another activity. The actual sales resulting from our work are a marvelous stimulant to he who has been in the habit of sitting and waiting for business to come to him.

In closing, I want to thank you for your patience in listening to this concentrated description of our varied activities. I hope that it gives you a better understanding of how we are trying to help each and every project become self-sustaining at an early date. It may help the representatives of other divisions to recognize situations which our Division can help to correct - we will at all times welcome your suggestions as to projects which require our help.

CONFERENCE OF PROJECT SUPERINTENDENTS

GETTING YOUR MEMBERS TO WIRE

A. Reasons for members' not wiring.

1. Energized projects.
   - (a) Lack of cooperative spirit and realization of individual responsibilities.
   - (b) Shortage of cash or poor crop conditions.
   - (c) Insufficient educational work on the advantage of electricity to producing greater income.
   - (d) High cost of rural wiring.
   - (e) Tenant and landowner problems, such as insurance companies and Federal Land Banks.

2. Supplemental and "A" projects prior to construction of lines.
   Same as reasons under item 1, plus
   - (a) Apprehension to wiring before lines are built for fear of not being served.

B. Cures - proved by experience - for above conditions.

1. Energized projects.
   - (a) Mass meetings of members.
   - (b) Adopt some sound finance plan and promote its use to members.
   - (c) Establish agreed unit prices for wiring to obtain lower costs, by assignment of territories to contractors.
   - (d) Promote concerted 2-weeks drive to get members to wire or suffer loss of transformer and service wires with penalty of having to pay for same in future.
   - (e) Advise all landowners and insurance companies, land banks, etc., of properties to be served and gain cooperation to wire.

2. Supplemental and "A" projects prior to construction.
   - (a) Establish agreed unit prices for wiring on basis of assigned territories to contractors.
   - (b) Mass meetings of members to sell program; give good lighting and wiring demonstration and invoke necessity of cooperative action of each individual. Have each attending member get contracts from neighbors.

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[illegible]

[illegible]

[illegible]

(c) Travelling educational work on the advantages of electricity to producing greater income.

(d) High cost of rural wiring.

(e) Tenant and landowner problems, such as insurance companies and federal land banks.

2. Supplemental and "A" projects prior to consummation of lease.

Some as reasons under item 1, plus

(a) Appreciation to wiring before lines are built for fear of not being served.

[illegible] - proved by experience - for above conditions.

1. Educational campaign.

a) More members of members.

b) Adopt more sound finance plan and promote life use to members.

(c) Establish general unit prices for wiring to contain lower costs, by assignment of contractors to contractors.

(d) Promote concerned 2-weeks drive to get members to wire or another loan of transformer and service wires with penalty of having to pay for same in future.

(e) Advise all landowners and insurance companies, land banks, etc., of proposition to be secured and gain cooperation to wire.

2. Supplemental and "A" projects prior to consummation.

(a) Establish general unit prices for wiring or lease of machines contractors to contractors.

(b) Mass meetings of members to sell program; give good lighting and wiring demonstration and invoke necessity of cooperative action of each individual. Have each attending member get concurrence from neighbors.

(c) Advantages of wiring contract method in overcoming apprehension to wire in advance of construction.

(d) Adopt sound financing plan and promote its use among members.

(e) Advise landowners, insurance companies and land banks, in advance, what properties will be served. Induce them to wire premises.

C. Inspection problems.

CONFERENCE OF PROJECT SUPERINTENDENTS

UTILIZATION PLANS

I Duties of Utilization Division Representatives

II "First Steps in Load-Building"

III Special load-building activities:

a. Lighting fixtures

b. I.E.S. Lamps

c. Appliances

IV Securing funds for Utilization activities

V Member Service Summary

VI New Member Campaigns

VII Merchandising policy

CONFERENCE OF PROJECT SUPERINTENDENTS

AGRICULTURAL LOAD BUILDING

1. Electricity on the Poultry Farm
   a. Poultry lighting
   b. Ultraviolet irradiation
   c. Brooders
   d. Water warmers
   e. Miscellaneous

2. Electricity on the Dairy Farm
   a. Milking machines
   b. Milk coolers
   c. Cream separators
   d. Cream coolers
   e. Dairy water heaters
   f. Sterilizers
   g. Miscellaneous

3. Electricity on the Live Stock Farm
   a. Water supply
   b. Stock tank heaters
   c. Feed grinders
   d. Electric fence
   e. Pig brooders
   f. Miscellaneous

4. Electricity on the Grain Farm
   a. Elevators
   b. Fanning mills
   c. Dryers
   d. Shellers
   e. Threshers
   f. Miscellaneous

5. Electricity on the Fruit and Vegetable Farm
   a. Irrigation
   b. Spraying
   c. Grading, washing, and defuzzing
   d. Cooling and freezing
   e. Hotbeds
   f. Miscellaneous

6. Electricity on any Farm
   a. General use of water systems
   b. Irrigation
   c. Refrigeration (locker storages, etc.)
   d. Motors (large and small)

Electricity on the Dairy Farm
a. Water supply
b. Stock tank heaters
c. Feed grinders
d. Electric fence
e. Fly brooders
f. Miscellaneous

Electricity on the Grain Farm
a. Threshers
b. Feeding mills
c. Dryers
d. Shellers
e. Thresheers
f. Miscellaneous

Electricity on the Fruit and Vegetable Farm
a. Irrigation
b. Sprayers
c. Grading, washing, and detuzzing
d. Cooling and freezing
e. Hotbeds
f. Miscellaneous

Electricity on any Farm
a. General use of water systems
b. Irrigation
c. Refrigeration (locker storage)
d. Motors (large and small)

e. Shop equipment
f. Miscellaneous

Conclusion:

Some of the above items will be merely mentioned, while the more important ones will be exhibited and discussed in detail.

CONFERENCE OF PROJECT SUPERINTENDENTS

AGRICULTURAL ACTIVITIES

The Use Of Electricity In Farm Production

Extension of Remarks

In developing a program for the use of electricity in farm production, we must keep in mind that the majority of farms served by REA-financed lines are general farms. This does not mean that all farms or all areas are exactly alike. We know, of course, that in certain sections dairying will be the most important source of farm income; in another section it may be poultry; in another pork production, or it may be cotton or wheat production.

But in the dairy sections, the farmers do not confine their activities exclusively to dairying. There are usually a flock of chickens, a few hogs, some horses, and perhaps some sheep on the typical farm in such a section.

REA projects will, therefore, find it possible to develop a multiplicity of farm uses on their lines. The following list gives some indication of the uses to which electric power may be put on the various types of farms:

1. Electricity on the Poultry Farm
   a. Poultry lighting
   b. Ultraviolet irradiation
   c. Brooders
   d. Water warmers
   e. Miscellaneous

2. Electricity on the Dairy Farm
   a. Milking machines
   b. Milk coolers
   c. Cream separators
   d. Cream coolers
   e. Dairy water heaters
   f. Sterilizers
   g. Miscellaneous

3. Electricity on the Live Stock Farm
   a. Water Supply
   b. Stock tank heaters
   c. Feed grinders
   d. Electric fence
   e. Pig brooders
   f. Miscellaneous

4. Electricity on the Grain Farm
   a. Elevators
   b. Fanning mills
   c. Dryers
   d. Shellers
   e. Threshers
   f. Miscellaneous

5. Electricity on the Fruit and Vegetable Farm
   a. Irrigation
   b. Spraying
   c. Grading, washing, and defuzzing
   d. Cooling and freezing
   e. Hotbeds
   f. Miscellaneous

6. Electricity on any Farm
   a. General use of water systems
   b. Irrigation
   c. Refrigeration (locker storages, etc.)
   d. Motors (large and small)
   e. Shop equipment.
   f. Miscellaneous

Bearing in mind what has been said above, it is evident that the uses listed under any one type of farming are not all that may be developed on a farm of that general type. The electric fence, for instance, is just as effective in confining Holstein dairy cows as it is regulating the range of a herd of Herefords.

Many small uses usually make a better load factor than one major use. A $3 immersion poultry water warmer may actually use more electricity on many farms than a $200 motor. The maximum demand of the water warmer would probably not exceed 200 watts; that of the motor might be 12 or 15 thousand watts. Highest consumption on the water heater would be during the hours of lowest temperature--the hours after midnight. Not many farm motors are operated during these hours. It is not only possible but probable that the water warmer would increase the average farmer's income more than would the five-horse motor.

The electric brooder is also a good load builder. Like the water heater, it is semi-off-peak in character.

Full use of the water system should be stressed. A revolving sprinkler in the garden will more than pay the entire cost of the water system. The proper kind of unit can be turned on at night--the best time to irrigate--and left on until morning. This again uses off-peak energy and it also makes use of the water system when its capacity is not needed for other purposes.

Bearing in mind what has been said above, it is evident that the water heated under any one type of heating are not all that may be developed on a farm of that general type. The electric fence, for instance, is just as effective in confining Holstein dairy cows as it is regulating the range of a herd of Hereford.

Many farms upon usually make a better load factor than one major use. A 60 thermoelectric portably water warmer may actually use more electricity on many farms than a 1800 motor. The maximum demand of the water warmer would probably not exceed 200 watts; that of the motor might be 1½ or 1½ thousand watts. Highest consumption on the water heater would be during the hours of lowest temperature--the hours after midnight. Most dairy farm motors are operated during these hours. It is just only possible but probable that the water warmer would increase the average farmer's income more than would the electric heater.

The electric brooder is also a good load builder. Like the water heater, it is seen-off-peak in consumer.

Full use of the water system should be observed. A revolving sprinkler in the garden will more than pay the overhead cost of the water system. The proper kind of work can be turned on at

The greatest objection to milking machines is the difficulty of cleaning them. It has been established that the best way to clean them is by first sucking cold water through the cups and tubes followed by hot water. No woman wants the milking machine washed in the kitchen. If water is heated in the teakettle and then carried to the barn or milkhouse it is no longer hot enough to do an effective cleaning job. Milking machines will be more popular if electric dairy water heaters to make cleaning them easier are sold right along with the milking machine.

It is too much of a job to make a manure hotbed and care for it on the average farm. Plants for the family garden are usually bought. Too often these are of unsuitable varieties or they are disease infected. An electric hotbed is easy to operate. There is a real opportunity to place a 6' x 6' hotbed on any farm. Fresh, crisp radishes and lettuce for late February and early March consumption can be grown in addition to an adequate supply of cabbage, tomato, pepper, and egg plants for the family garden.

Dairy cows will not produce nor beef cattle make adequate gains if their water supply is frozen during a good part of the time. Thermostatically controlled stock tank water heaters are now coming on the market, which keep the water available at all times.

Far too many farmers are unacquainted with these potential uses of electricity. The Utilization Division is preparing literature, organizing tours and meetings, urging more activity in this field by the agricultural extension service and by manufacturers.

We need more research to develop new uses and to perfect present ones. Members and officers of rural electric cooperatives should demand that their agricultural experiment stations give more attention to this problem.

CONFERENCE OF PROJECT SUPERINTENDENTS

PROJECT PROBLEMS

(1) Meter Reading, Billing and Collecting

(2) Extension Policy: As being Revised

(3) Duties of Superintendents and Managers

(4) Directors' Fees and Mileage

(5) Membership Fees

(6) Travel Expenses

(7) Project Attorneys after Construction

(8) Project Office and Equipment

(9) Pole Marking and Numbering

(10) Neighborly Relations

(11) Working Maps

PROJECT PERSONNEL

For the method of appointing project personnel see letter dated May 5, 1939, signed by Mr. C. A. Winder.

Also see: Qualifications Recommended by REA for Project Employees to Serve Under the Superintendent or Manager.

Also see: Qualifications for an REA Project Superintendent.

For further information write Division of Engineering and Operations, REA, Washington, D. C.

CONFERENCE OF PROJECT SUPERINTENDENTS

COOPERATIVE ORGANIZATION

I. Introduction

A manager of an electric cooperative cannot do a really effective job unless he understands the principles of cooperation and knows how to make them work. The purpose of this discussion is to further such understanding. It is of basic importance to realize the differences in purpose and structure of:

1. Private utility companies,
2. Public ownership,
3. Cooperative ownership.

The practical value of organized cooperation is indicated by its accomplishment both here and abroad.

II. The Technique Of Cooperation

A. Cooperative principles and methods.

B. Bylaws and their purpose.

C. Members, directors, officers and employees.

1. Rights and duties of members.
2. Qualifications, rights and duties of directors.
3. Duties of officers.
4. The manager and his staff.

D. Enlisting membership participation.

1. The annual meeting.
2. Committee structure.
3. Educational and recreational group meetings.
4. Other contact with members.

III. The Place Of An Electric Cooperative In The Rural Community

CONFERENCE OF PROJECT SUPERINTENDENTS

COOPERATIVE ORGANIZATION

EXTENSION OF REMARKS

Except for a small number of public power projects, all of the electric distribution projects organized by rural consumers with the help of REA have been set up to be operated on the cooperative plan. To make a cooperative enterprise succeed, it is essential that not only the members and directors but also the manager and his staff should be acquainted with cooperative principles and practices and should make a sincere effort to apply them at all times.

This requires an understanding of the distinctive features of cooperative enterprise as compared with private and public enterprise in the electric utility field.

A. Private Utility Company	B. Public Ownership	C. Cooperative Ownership
1. Ownership in the hands of investors, not of the users.	1. Ownership in the hands of the citizens as a political unit, (municipality, county, state), regardless of whether or not they are users of the service.	1. Ownership entirely in the hands of the users themselves.
2. Chief Object: to secure profits on investment - the public interest is of secondary importance.	2. Chief Object: service to the public at lower costs.	2. Sole Object: service to the user-members at lowest possible cost.
3. Net earnings distributed on basis of stock ownership - who owns most, gets most.	3. Net earnings are used for public benefit.	3. Net earnings, if any, belong to the organized consumers - who uses most, gets greatest benefit.
4. Control on basis of stock ownership - who owns most, has most voting power.	4. Control is democratic as it is held by the voters making up the body politic.	4. Control is democratic, exercised equally by all user-members - each member has only one vote.

5. Unlimited proxy voting further facilitates concentration of voting power in a few hands.	5. No proxy voting.	5. Proxy voting not allowed, or limited, to guard against concentration of voting power.
6. Board of directors represents largest stockholders, cannot be changed by popular vote.	6. Governing body elected by popular vote and subject to periodic change.	6. Governing body elected annually by popular, democratic vote of user-members.
7. Officers draw high salaries.	7. Salaries of officers not excessive.	7. Directors and officers serve without salary.
8. Service confined to more densely populated areas, with very few exceptions.	8. Service intended to reach all people in area.	8. Service intended to reach all residents in area that wish to join as members.

It is obvious that, at least potentially, public or cooperative ownership of utilities offers greater benefits to the consumer than private ownership. However, public ownership is usually achieved only by a slow process as it involves political action. Cooperative ownership can be achieved much more simply and easily as it can be undertaken by any group of people willing to organize an economic enterprise cooperatively. It is, therefore, best suited to a rapid development of rural electrification.

The Extent Of Cooperative Enterprise

Cooperative enterprise has become an integral part of the economic life of today. Since its beginning less than 100 years ago, the cooperative movement has grown until today it includes 100 million families in 40 countries. In Great Britain, Switzerland and the Scandinavian countries the cooperative wholesale societies are the largest dealers in consumer goods. According to a recent survey of the Farm Credit Administration, rural America has 15,000 cooperatives of all kinds, with a membership of more than 3,000,000 persons. In 1936, about 4,000 of these farmers' cooperatives returned $25,000,000 to their members in patronage refunds alone, besides increasing their reserves. It can be seen from these facts that cooperation can be made effective.

While rural electric cooperatives are relatively new in America, they are an old story in some European countries. In Sweden, 50% of all rural electric distribution is done through cooperatives. Finland has about 400 rural electric cooperatives. In Denmark, an agricultural country, about 25% of all electric power consumed in the State is distributed cooperatively.

The Technique Of Cooperation

Sound management is, of course, basic to the success of any business, whether cooperative or not. But in addition, cooperative enterprise owes its universal success to the observance of certain principles which are inherent in the cooperative idea.

The cooperative principles, briefly stated, are:

1. Open membership --whoever can use the cooperative's service is welcome as a member.

2. Democratic Control - one member, one vote.

3. Invested capital gets no profits but only interest.

4. All gains belong to the members in proportion to their patronage.

5. Political, religious and racial neutrality.

6. Cash trading.

7. Education in cooperation.

Every one of these principles can be applied by REA cooperatives with good results.

Cooperative methods generally observed, in addition to the seven cooperative principles, are:

(a) Goods and services are priced at a little more than estimated cost, to provide a margin of safety.

(b) Part of net earnings is set aside in a reserve fund, until the reserve is large enough to meet any emergency.

(c) Efficient bookkeeping, with periodic audits and regular, detailed reports to the membership.

(d) The manager and anyone else handling funds must be bonded.

(e) Neighboring cooperatives consolidate, whenever greater efficiency or lower operating costs can be expected as a result.

(f) Fair labor conditions for employees.

[illegible] of course, basic to the success of [illegible] or not. But in addition, co[illegible] [illegible] [illegible] to the conservance of [illegible] in the cooperative [illegible].

[illegible] idea, briefly stated, are

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[illegible]

Invested capital gets no profits but only [illegible] interest.

All gains belong to the members in proportion to their patronage.

Political, religious and racial neutrality.

[illegible]

Education in cooperation.

Every one of these principles can be applied by RRA co[illegible] with good results.

[illegible]

(a) Goods and services are priced at a little more than actual cost, to provide a margin of safety.

Part of net earnings is set aside in a reserve fund, until the reserve is large enough to meet any emergency.

[illegible] regular, detailed reports to the membership.

The manager and anyone else handling funds must be bonded.

[illegible] efficiency or lower operating costs can be expected as a result.

[illegible] Fair labor conditions for employees

A cooperative organization is controlled by its members who are also the users of its services. The members elect a board of directors from among their own number. The officers (president, vice president, secretary and treasurer) are elected by and from the directors. The board hires a superintendent or manager and the latter usually has authority to hire any other needed personnel, subject to the approval of the Board.

The bylaws of a cooperative are in effect a set of rules of conduct for members and directors. They state the qualifications and the rights and responsibilities of members and directors, provide for democratic procedure in the conduct of the affairs of the cooperative, establish the members as the controlling body and the board of directors as the body responsible for management. It is important that not only the members and directors, but also the manager, be thoroughly familiar with the bylaws, as they also govern his relations to both members and directors. Every member of a cooperative should have an up-to-date copy of its bylaws.

The members, as the real owners of the cooperative enterprise, should show a constant, active interest. They should not interfere with the management but they should make sure that the management functions efficiently and honestly. Through their voting power they can control the board of directors which supervises the management. They should insist on being kept informed concerning the status of their cooperative enterprise and they should be willing to assist the board and the management in the task of holding down operating expenses, enlarging the membership and volume of business and constantly improving the quality of the service.

The board of directors should always be aware that it performs a trust function on behalf of the entire membership. Its powers stem from the members and must be used for their benefit. A director holds a position of honor and should be prepared to serve to the best of his ability, without other compensation than the knowledge that he is doing something for the good of his community. No one should be allowed to serve as director whose motives are in any way questionable.

The officers are charged with special responsibilities. Some of these are of a confidential or trust nature and should not be delegated to paid employees. However, the more time-consuming part of their work or duties requiring technical knowledge can be performed by the manager and his staff. It is customary in cooperatives for officers to serve without pay. This is in conformity to the idea of mutual self-help which is basic to all true cooperation.

The superintendent or manager is a paid employee who is charged with the actual operation of the enterprise. He takes his orders from the board as a whole and he directs the work of the other employees. If there is any tendency for individual directors

to give orders to him or his personnel, he should insist that the board clearly establish the proper lines of authority, as he cannot otherwise be expected to do his job effectively. He is the keystone in the cooperative structure. His knowledge, resourcefulness, loyalty, honesty, interest in the job to be done, ability to get along with people and to enlist their good will, and ability to organize his work and the work of his staff effectively will have more to do with the success of a cooperative enterprise than any other single factor. He should thoroughly understand the cooperative way of doing business as it is part of his job to educate the membership in it.

The annual meeting of a cooperative is the biggest event on its calendar. It deserves to be prepared carefully and well. The members should be impressed with the importance of attending it. Arranging for some entertainment and, possibly, refreshments is a legitimate way of insuring a large attendance. Giving away a few electrical appliances as door prizes helps load building as well as building up attendance at meetings. Further details on planning the annual meeting are contained in RE Co-op Letter No. 3 of which additional copies are available.

The order of business should be so arranged that the meeting does not drag. Some interesting activity should fill in the time while ballots are being counted. A lengthy roll call can be avoided by checking members as they enter the hall. If they are given their ballots at the same time, there is less danger of irregularities in voting.

The officers and the manager should be prepared to give detailed reports on the progress of the cooperative during the past year and to answer questions of the members.

All voting should be done in such a way that no charge of undemocratic procedure can be raised. Provisions of the bylaws will, of course, have to be observed to make the voting legitimate.

Committees are an important part of any well-functioning cooperative. In an REA cooperative, there should be committees on membership, load building and utilization, safety education, cooperative education, recreation, publicity and public relations. The chairman of each committee should be a director or at least a member of the cooperative. The other members of committees might include educators, agricultural experts, farm organization leaders, church leaders, leaders of women's clubs and other persons willing to work for the success of the project, whether they are members or not. These committees should hold frequent group meetings and the chairmen should report their progress and results to the board periodically.

The annual meeting of a cooperative is the biggest event of the year. It deserves to be prepared carefully and well. [illegible] should be [illegible] for some entertainment and, possibly, refreshments is a [illegible] way of insuring a large attendance. Giving away a few [illegible] prizes at door prizes helps [illegible] building up attendance at meetings. Further details on planning the annual meeting are contained in RM Cover Letter No. 3 of which additional copies are available.

The order of business should be so arranged that the meeting does not drag. Some interesting activity should fill in the time while ballots are being counted. A lengthy roll call can be avoided by checking members as they enter the hall. If they are given their ballots at the same time, there is less danger of irresponsibilities in voting.

The officers and the manager should be prepared to give [illegible] reports on the progress of the cooperative during the past year and to answer questions of the members.

All voting should be done in such a way that no charges of undemocratic procedure can be raised. Provisions of the bylaws will, of course, have to be observed to make the voting legitimate.

Committees are an important part of any well-functioning cooperative. In an RMA cooperative, there should be committees on [illegible], land [illegible] and [illegible], and [illegible] and public relations. The [illegible] of each committee should be a director or at least a member of the cooperative. The other members of committees might include [illegible], agricultural experts, farm organization leaders, church leaders, leaders of women's clubs and other persons willing to work for the success of the [illegible].

[illegible] should report their progress and results to the board periodically.

Contact with the membership is important. Where an REA project is so large that the management can have little personal contact with the members, an occasional news letter sent to all members will be found useful. Special meetings devoted exclusively to utilization, education and recreation can sometimes be arranged in between the annual business meetings. Such special meetings can be held in various sections of the project, if necessary, so as to develop more local interest.

The Place Of An REA Cooperative In The Rural Community

The coming of electricity to a rural community will have a far-reaching effect on the social and economic aspects of rural life. It will bring new comforts and conveniences to the farm home, enable the farmer to cut production costs and to raise the quality of farm products so they will bring better prices, improve facilities for carrying on church and community activities, and make it possible for boys and girls in rural schools to get a practical education that will fit them for the life of today and tomorrow.

But to bring all this about, it is necessary to make the people aware of their opportunities. They must first learn how they can use this new servant, electricity, to do all these things for them. This is an educational job in which the members, directors and managers of REA cooperatives should take the lead. By cooperating with community leaders in teaching the uses and benefits of electricity, they will not only establish the REA cooperative as a constructive element in the community but they will also be working for the ultimate success of their REA project.

CONFERENCE OF PROJECT SUPERINTENDENTS

ORGANIZED GROUPS TO AID YOUR PROJECT

I. Why REA Cooperatives were set up as the best vehicles to carry electricity to farmers.

II. Why REA Cooperatives were built from the top down.

III. The first phase of this nation-wide REA program is found in the development and accomplishments of the organization up to this time.

IV. The second phase is at hand and is of necessity an overlapping program of education. It should be designed to help officers, boards of directors, project superintendents, all office employees, and the cooperative members to understand their rights, duties, privileges, and responsibilities toward their Cooperative and the Federal Government and act as a cooperative unit.

V. First steps in educational program: Make survey of educational needs of project and of resources in project area, of leaders, organizations, schools, equipment, etc.

VI. Outline educational program that will encompass those needs.

VII. Methods of carrying forward such a program.

V. First steps in educational program: Make survey of educational needs of project and of resources in project area, of leaders,

CONFERENCE OF PROJECT SUPERINTENDENTS
ORGANIZED GROUPS TO AID YOUR PROJECT
Building Community Support For
Your REA Cooperative

I. Why build Community Support?

A. What can your cooperative gain by it?

1. Widespread and active community support creates a friendly atmosphere making it easier to get rights-of-way, to sign up potential consumers and to carry on an effective utilization program.

2. It makes it more difficult for unfriendly private utilities or public officials to undermine and harm the project.

3. It focuses the attention of the community on the affairs of the project, thus encouraging conscientious service on the part of the Board and the employees.

4. It opens the use of many community facilities to the project (meeting halls, local press, schools, churches, clubs, etc., for spreading information).

B. What can the community gain by it?

1. A successful REA cooperative helps the farmer to cut operating costs.

2. It helps him to get a higher cash income.

3. It builds up community ownership of the electric system instead of paying toll to absentee stockholders.

4. Result of 1, 2, and 3 is to bring and keep more money in the community, thus making possible higher local living standards and helping local business.

5. Availability of electricity stimulates rural industries and offers increased local employment.

6. It results in improved rural sanitation and better health.

7. It permits a more extensive use of the recreational and cultural facilities of the community (electric lights in meeting halls, churches, schools, etc.).

8. It offers better use of educational facilities by making electric power available to rural schools.

9. It lessens the drudgery of farm life and gives farm families more leisure for cultural pursuits and for participating in community activities.

10. The success of an REA cooperative rests on the practical application of the spirit of mutual self-help. Once this spirit is developed and applied to rural electrification, it will make itself felt beneficially in dealing with other community problems.

11. Practical training in cooperative functioning in an economic enterprise is practical training in Democracy. The best way to save Democracy is to use it. Cooperators do just that. Good cooperators are good citizens because they have learned to apply the principles of Democracy in their daily lives.

II. How to build Community Support.

A. Make a survey of all local groups and agencies interested in community development. Find out what their functions are and how they operate.
They usually include:

1. Agricultural extension service.

2. Grammar and high schools.

3. Public libraries.

4. Vocational and adult education service.

5. Churches.

6. Farm organizations.

7. Men's and women's clubs.

8. 4-H clubs, Future Farmers of America and other youth organizations.

9. Daily and weekly newspapers.

10. Radio.

B. Get them acquainted with the REA program and with the problems and object of your local REA co-op. Show each one how it can participate in helping to establish rural electrification firmly and successfully as an important asset to the community. Establish regular contacts with each group or agency. The methods for

Men's and women's clubs.

4-H clubs. Future farmers of America and other youth organizations.

developing and retaining community support include:

1. Providing written or printed information regarding REA and your local project.

2. Providing speakers at meetings of these groups and agencies, who can explain the program and its significance to the community.

3. Drawing community and group leaders into special committees of your co-op, on cooperative education, safety, utilization, publicity, etc.

4. Helping the schools to organize debates, essay contests, etc., on rural electrification.

5. Supplying the local press with interesting material for a regular column or corner.

6. Arranging for local radio broadcasts which should be both informative and entertaining.

7. Organizing neighborhood study clubs on cooperation and on the use of electricity in the home and on the farm.

8. Arranging demonstrations of electric appliances and equipment, not only in connection with large meetings, but also in small neighborhood groups.

9. Encouraging your organization and its members to participate actively in all efforts to improve the economic and cultural life of the community.

10. Avoiding any participation of the cooperative as such in any partisan political activities.

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] etc., on rural electrification.

5. Supplying the local press with interesting material for a regular column or column.

6. Announcing for local radio broadcasts which should be both informative and entertaining.

7. Organizing neighborhood study clubs on conservation and on the use of electricity in the home and on the farm.

8. Arranging demonstrations of electric appliances and equipment [illegible]

9. Promoting your organization and its members to participate in all efforts to improve the economic and cultural life of the community.

10. Assisting any individuals of the community as such in [illegible]

CONFERENCE OF PROJECT SUPERINTENDENTS

LIVE LINE WORK

I. Definition

Live-Line Work is the practice of replacing or repairing defective line equipment, making improvements and changes in line construction, and installing or reconditioning any distribution apparatus by means of insulated tools or similar devices while the equipment or apparatus directly concerned in the maintenance work is energized.

For the purposes of classification and clear understanding of what is meant in REA by Live-Line Work, such work refers to that done on voltages not to exceed 13,200 between phases, and the following division is made:

1. Live Circuit Operations.
2. Live-Line Maintenance.

1. Under Live Circuit Operations, it is understood that the following may be performed:

Insulators tested

Nuts and screws adjusted

Jumpers attached, detached and replaced

Transformers replaced

Fuses replaced

Trees trimmed

Opening or closing of any disconnecting or sectionalizing device including "hot line clamps".

Live-line Work is the practice of replacing or repairing [illegible] the conductor, and installing or reconditioning any distribution apparatus by means of insulated tools or similar devices while the equipment or apparatus directly connected in the maintenance work is energized.

For the purpose of classification and clear understanding of what is meant by Live-line Work, such work refers to that done on voltages not to exceed 13,200 between phases, and the following division is made:

1. Under Live Circuit Operations, it is understood that the following may be performed:

Insulation testing

[illegible]

2. Under Live-Line Maintenance, it is understood that the following may be performed:

Pin-type insulators replaced

Dead-end insulators replaced

Lines tapped; connecting newly constructed branches

Crossarms replaced

Poles replaced

Location of poles shifted

Wires transferred

Cutouts replaced

II. Permission

The great danger of working on lines or equipment while energized is that later on, those in charge of the men working under these special rules may become lax and in cases of apparent necessity linemen who have not been specially selected, instructed and trained may be permitted to do this work. In order to prevent this it should be thoroughly understood that no crew of linemen or any individual lineman shall be permitted to do this work without first having secured definite recorded permission from the Director of the Operations Supervision Division. Permission must be obtained separately for the two classes of live- line work as defined under I (1) and (2).

III. When Live-Line Work May be Done

Line outages are usually due to one of six causes: trees, overloads, defective lines or equipment, wind, lightning, or

sleet storms. Most outages due to trees, overloads and defective lines or equipment may be prevented by elimination of these causes before failure, if the line is patrolled and inspected regularly. When defects are thus known in advance, it will be possible in most cases to interrupt service on that part of the line and avoid live-line work.

Lines should always be de-energized if this can be done without interruption of important service which may incur a serious financial loss or involve a serious change in operating the system, or when the interruption to service might endanger human life.

(a) Special Rules

The following special rules govern work on voltages not exceeding 13,200 between phases, or 7,620 volts to ground. No live-line work is to be done on voltages higher than 13,000 between phases.

(1) Live-line work shall be done only during favorable weather conditions. Rain, snow, sleet, dampness, etc., produce conditions under which this work should not be permitted.

(2) Live-line work shall be done only by crews especially trained in this class of work.

(3) These rules must, of necessity, be general and cover minimum requirements as to safety. It shall be the duty of the person having jurisdiction of live-line work to interpret their meaning and application. He

[illegible] to [illegible]

[illegible] may be prevented by elimination of these [illegible] before failure, if the lines to patrolled and inspected [illegible]. When defects are thus known in advance, it will be [illegible] a great reason to laboratory service on that part of the [illegible] line-line work.

Lines should always be de-energized if this can be done without [illegible] material loss or involve a serious change in operating the system, or when the inconvenience to service might endanger human life.

[illegible]

The 6 Hooking special rules governing work on [illegible] [illegible] 110,000 between phases, or 1,000 volts to ground. [illegible] line-line work is to be done on voltages [illegible] between phases.

[illegible]

[illegible] weather conditions. Rain, snow, sleet, dense [illegible] [illegible] shall not be permitted.

(b) [illegible] shall be done only by crews [illegible]

(c) These rules are, or necessarily, be general and cover [illegible] duty of the person having jurisdiction of live-line work to interpret their meaning and application. He

shall also designate which lines may be worked on while in service, the size and personnel of crews, extent of work, types of tools for various operations, and shall issue such other instructions or rules as may be required to meet local conditions. The requirements of such supplementary rules and regulations, however, shall not be contrary to or lower than the minimum requirements of these rules.

(4) The principal factor in safe live-line work is adequate clearance between the employees and all wires on the pole or apparatus including the wires worked on. When circuits other than those worked on are installed on poles, such wires shall be untied and separated with proper clearances from the poles before any work is done on the high voltage lines.

(5) Only tools having proper voltage rating and of sufficient length to secure proper clearance for safety shall be used. There is a possibility of putting too much dependence on the voltage rating of the tools and not enough on clearance between the employees and any possible contact with live wires. No part of the body should be closer to live wires or apparatus than the tools require unless there are other circuits on the pole in which case such other circuits must be cared for as set forth above.

(6) Rubber Gloves. The linemen should wear rubber gloves of 20,000 volt test on their hands while using live-line tools. Although live-line tools, when in good condition, are dependable for their rated voltage insulation, the use of rubber gloves is an added safety precaution which should be taken.

(b) Qualifications of Crew

1. A minimum crew for Live Circuit Operations, I (1), shall consist of two experienced linemen.

   Exception: Emergency work is excepted.

2. A minimum Live-Line Maintenance crew, I (2), shall consist of at least three experienced men, viz., two linemen and a foreman.

(c) Training

Before a crew is permitted to work on live lines or apparatus, it must be trained on dead equipment. This preliminary training in the use of live-line tools, must be very thorough and include every detail of live-line work which the crew will be required to perform. The manager or superintendent must satisfy himself that this training is adequate before he permits crews to work on live lines.

Manufacturers are willing to give specific instructions on the use of their tools and will assist in their demonstration.

Every member of a crew doing Live-Line Work shall have had adequate instruction and training in prone pressure resuscitation and in First Aid.

[illegible] The linemen should use rubber gloves of [illegible] or [illegible] [illegible] [illegible] insulation, the use of rubber gloves is a good [illegible]

[illegible]

[illegible]

[illegible] should consist of two experienced linemen.

Inspection: Inspection work is [illegible].

4. A minimum Live-Line Tool Equipment crew, I (4), should consist of at least three experienced men, viz., two linemen and a foreman.

[illegible]

Before a crew is permitted to work on live lines or apparatus, it must be inspected by [illegible]. The qualifications for training in the use of live-line tools must be [illegible] crew will be required to perform. The manner in which [illegible] must satisfactorily demonstrate that their training is adequate before be permitted crews to work on live lines.

[illegible] the use of their tools and will assist in [illegible].

Every member of a crew doing Live-Line Work who I have had adequate instruction and training in proper procedure resuscitation and in First Aid.

(d) Use, Inspection and Care of Tools

Foremen must at all times be sure that the sticks, straps, ropes and other equipment are in first class condition. When blocks are under strain the ropes must be securely snubbed. All tools and equipment must be carefully inspected periodically for defects.

All tools when not in use must be kept in canvas bags or weather-proof boxes provided for that purpose. Care should be exercised to see that tools when in these bags or boxes are stored in a dry and if possible, warm place. Wooden sticks should be inspected regularly, dried out and thoroughly finished with a high quality insulating varnish at intervals, depending on the extent of use and exposure.

Live-line tools should never be laid on the ground, but should be stood on end or placed in their containers as soon as they are lowered from the pole.

(e) Tests

The users of live-line tools shall assure themselves before each operation that the tools are strong both mechanically and electrically and otherwise suitable for the purpose intended.

IV. Tools for Live-Line Work

1. The special tools needed for Live Circuit Operations, I (1), in general should consist of:

1 Hot Line Cutter

2 Universal sticks with appropriate heads and attachments

1 Fuse Tongs (where needed)

1 Tree Trimmer

2. The additional special tools are needed for Live-Line Maintenance, I (2), in general should consist of:

1 $1\frac{1}{2}$" X 8' Wire Tong

1 2" X 8' " "

1 2" Wire Tong saddle and tightener

1 $1\frac{1}{2}$" " " " " "

2 Tie Wire sticks

All tools shall be approved by the Director of the Division of Operations Supervision before purchase and use.

V. Rubber Goods

Rubber gloves, hose, hoods, blankets, or similar protective equipment shall not be used on voltages in excess of 5,000 between phases.

VI. When Live-Line Work is Prohibited

1. When those in charge have not assured themselves that such work is necessary and that it can be safely performed.
2. All lines where arrangements can be made for the interruption.
3. Any line where the work to be performed is considered unsafe, even with the precautions set forth in the special rules above.
4. During rain, snow, sleet storms, or other adverse weather conditions.

Two-ton Heavy-duty Truck with Winch and Boom

Capital cost-- $2500.00

Fixed Charges--Annual

Interest and amortization -- 20-year plan, interest approximately 3.0%, principal approximately 4.2%, total 7.2% $2500.00 x 7.2 =	$ 180.00
Depreciation -- 100% in 3 years =	833.00
Insurance(fire and theft, public liability and property damage)	105.00
Taxes-- $25 property, $50 license	75.00
	$1193.00

Maintenance

1 complete motor repairs, tires, etc.	70.00

Operating Expense

(1000 miles per month, gas @ 18¢, oil @ 25¢ quart, tires, $20 each)

12,000 miles @ 12 mi. per gallon = 1000 gal. gas @ 18¢	180.00
6 qts. oil changed each 1000 mi. $1.50 x 12 =	18.00
1 set tires 6 x $20 =	120.00
Lubrication each 1000 miles 12 x $1.00	12.00
Miscellaneous (anti-freeze, etc.)	10.00
Total Maintenance and Operation	410.00
Total fixed charges, maintenance, and operation	$1603.00

2288 working hours per year-- average hourly cost	.70
Average cost per mile	.134

Three-quarters-ton Pickup Truck

Equipped with homemade body and pole pusher, 6-ply mud tires, helper springs, and four-speed forward transmission.

Capital cost -- $900

Fixed Charges--Annual

7.2% x $900	$ 65.00
Depreciation-- 100% in 3 years	300.00
Insurance (fire, theft, liability, property damage)	43.00
Taxes-- property $9, license $20	29.00
	437.00

Maintenance	70.00

Operating expense

(2500 miles per month, 15 miles per gallon)	
1670 gallons gas @ 18¢	300.00
Oil change each 1000 miles	38.00
1 set tires 15 x 4	60.00
Lubrication each 1000 miles at $1.00	25.00
Miscellaneous (anti-freeze, etc.)	10.00
Total maintenance and operation	503.00
Total Fixed Charges, Maintenance and Operation	$940.00

Average hourly cost	.41
Average cost per mile	.038

CONFERENCE OF PROJECT SUPERINTENDENTS

CONDUCTOR PROBLEMS

I. Conductor Problems

1. Up-Pull
2. Sags and tension
3. Causes of Conductor Faults
    a. Animals
    b. Guns
    c. Trees
    d. Wind
    e. Kites

4. Location of faults
5. Voltage Regulation
6. Flicker
7. Systematic Maintenance

II. Poles, Hardware, and Fixtures

1. Purchasing
2. Quality
3. Standards
4. Protection

III. Insulators

1. Testing
2. Failures

CONFERENCE OF PROJECT SUPERINTENDENTS

TRANSFORMERS AND METERS

I. Transformers

1. 3 ϕ banks and connections
2. Dissimilar Sizes in banks
3. Number of Consumers from one transformer
4. Fusing
5. Secondary protection
6. Load testing
7. Lightning Protection

II. Meters

1. Location
2. Sizes and types
3. Purchasing
4. Reading methods

CONFERENCE OF PROJECT SUPERINTENDENTS

LIGHTNING PROTECTION AND GROUNDING

Lightning Protection

A. Types of Protection

1. Overhead ground wire.
2. Gaps and oil circuit reclosers.
3. Arresters-expulsion valve.

B. Coordination of Insulation Levels

1. Line and apparatus.
2. Transformer insulation.

C. Ground Maintenance

D. Failure Records.

Grounding

A. Definition of Ground Resistance. Two electrodes in ground, will have a current flowing between them upon impression of a difference of potential.

B. Where Resistance is Located

1. Contact resistance negligible.
2. Ground lead resistance negligible with conductors used for REA lines.
3. Soil causes greatest resistance. 90 percent of resistance is within 10 feet of the electrode.

C. Part Played by Grounds on REA Projects

1. Interconnection of arrester lead, tank and secondary.
2. Return of power through ground.
3. Safety of Operations.

D. Types of Grounds on REA Projects

1. Driven.
2. "Pancake".
3. Strip.

[illegible]

[illegible]

[illegible]

E. Variation of Resistance of Ground Device

1. With depth.
2. With number of grounds in parallel.
3. With external dimensions.
4. With distance apart of devices in parallel.

F. Variation of Resistance with Seasons

1. Temperature effects.
2. Moisture effects.

G. Increasing Ground Conductivity with Chemicals

H. Ground Resistance Measurements

1. Routine tests.
2. Tests after failure.

CONFERENCE OF PROJECT SUPERINTENDENTS

VOLTAGE REGULATION

A. High Voltage

B. Low Voltage

C. Redesign for new loads

SECTIONALIZING

A. Types of Sectionalizing Equipment

1. Automatic

a. Oil circuit breakers and reclosers.
b. Fused cut-outs.
c. Relaying systems.

2. Non-automatic

a. Disconnects.
b. Gang switches.

B. Basic Principles of Automatic Sectionalizing

1. Calculation of short circuit currents.

2. Number of devices in series.

3. Coordination of all devices.

a. House entrance fuse.
b. Transformer cut-out.
c. Single, two, and three shot cut-outs, oil circuit reclosers.
d. Plant oil circuit breakers.
e. Cooperation with utility serving power.

C. Location of Devices

1. On good roads.

2. Near telephone.

3. Branch lines.

4. Important consumers.

5. Bad tree conditions.

D. Operation of System

1. Standardization of fuse links.

2. Maps of system

a. In trucks.
b. At office.

3. Cooperation of members

E. Protection of Substation

F. Sectionalizing Advancement Needed

1. New devices.

CONFERENCE OF PROJECT SUPERINTENDENTS

NEW RURAL ELECTRIFICATION OPERATIONS

1. What was done in the past was well done in spite of low cost and high speed. Lines stand up. Troubles on the whole are not unusual.

2. We must keep going on and improving, using the projects and superintendents as our great laboratory of experience. Superintendents should not be afraid to answer questions. The answers will not be held against them.

3. New rural electrification engineering is now slowly but surely being created by REA based on its own diversified experience. There is no such engineering as yet.

4. Transmission experience and transmission science being applied by REA to rural problems. It is only a matter of decimals.

5. No spare transformers. Study of mobile transformers and mobile units. Use of three phase transformers.

6. Unreliability of power supply from utilities. Voltage regulation problems. High instead of low voltages.

7. The need for secondary protection, not necessarily CSP. New small circuit breakers. New underground secondary cable.

8. New small transformers. Elimination of lightning arresters.

9. Elimination of primary fuses. Need superintendents' experience to determine the cost of maintenance.

10. Elimination of three-shot fuses. New circuit breakers now being developed.

11. Cyclometer meter. Replacing old parts by cyclometer register.

12. New meters -- reasonable.

3. New rural electrification engineering is now slowly but surely being [illegible] by the [illegible] Electrified [illegible]. There is no such engineering as yet.

4. Transmission experience and transmission science being applied by REA to rural problems. It is only a matter of decimals.

5. No space transformers. Study of mobile transformers and mobile units. Use of three phase transformers.

6. [illegible] ability [illegible] [illegible]. [illegible] induction problems. High instead of low voltages.

7. The need for secondary protection, not necessarily OCB. New small [illegible] [illegible] [illegible].

8. New small transformers. Elimination of lightning arresters.

9. [illegible] of primary fuses. Need superintendents' experience to determine the cost of maintenance.

10. Limitation of three-shot fuses. New circuit breakers now being developed.

11. Cyclometer meter. Replacing old parts by cyclometer regulator.

12. New meters -- reasonable.

13. Ground testing meter. Its history.

14. Live line work will probably be necessary where important loads are connected.

15. A knowledge of the load characteristics of rural consumption is needed for rate negotiation, for determining small and main transformer sizes, for promotional purposes, etc.

16. Degree of continuity of service required for each operation on the farm now being studied in cooperation with Utilization Division.

17. Carrier signals for sectionalizing switches.

18. Short wave radio.

19. Possibility of smaller conductor for neutral.

20. Meter testing equipment.

21. Power house operation economy and reliability.

22. Industrial loads cropping up along projects. How we study each case. Should not be discouraged, because socially important.

CONFERENCE OF PROJECT SUPERINTENDENTS

SAFETY IN TECHNICAL OPERATIONS

This subject may well include all safe practices in connection with operations in an REA project. The safe operation of motor vehicles and tree trimming and other similar operations, while not purely technical, are just as important in the safe and efficient operation of a project as the more technical phases.

The National Electrical Safety Code is basic for the electrical industry as it is for REA and will be used as a reference wherever possible in issuing Safety Bulletins. Certain sections or paragraphs may need to be emphasized by interpretation for application to your problems. It may be that certain sections will better serve your purposes and ours, if prepared for pocket use or for putting on Bulletin Boards, and as field conditions arise wherein clarification or amplification seems desirable, Safety Bulletins will be issued covering the necessary points. In this connection we welcome suggestions from the field as to ways and means of keeping the National Electrical Safety Code constantly before all Operations personnel.

Part four of the fifth edition known as Hand Book H-34 has just been revised and we are furnishing each superintendent attending this conference a copy. Revision of the Hand Book entitled, "Discussion of the National Electrical Safety Code", has not yet been completed and when completed we will see that you are furnished copies.

As an example of reference to the Code, we also furnish you at this time with a copy of Safety Bulletin #3 and hope that you will feel free to discuss this Bulletin, as well as other Code topics during this period.

[illegible]

[illegible]

[illegible]

CONFERENCE OF PROJECT SUPERINTENDENTS

ACCIDENT PREVENTION AND SAFETY

1. The Cooperation of the Red Cross.

This part of the program was devoted mainly to First Aid Demonstration and practice. National Headquarters of the Red Cross cooperated with the REA to indicate what you may expect in our First Aid Training classes to be conducted by the Chapter in your community.

L. M. Thompson, M.D., and Mr. Ramone Eaton, Assistants to the Director of First Aid and Life Saving of the Red Cross, conducted the demonstration and discussed and demonstrated First Aid Work as it applies specifically to your needs. Fractures and what to do about them were also discussed and demonstrated.

2. Our Accident Reports.

Reviewing our accident reports, we find the following: Cases of infection from neglected minor injuries, and burns of various degrees from electric shock. Actual reports state that ".....while other men were present, no one applied prone pressure treatment. The chances are two to one that he could have been revived." Or, "Another lineman was present, however, who got him down and revived him."

3. Our Accident Prevention Program.

Our accident prevention program is shaping itself rapidly in REA activities. The new reporting procedure requested is set forth in REA Safety Bulletin No. 1. The wire reports of all lost-time accidents, followed by detailed supplemental reports, contain helpful information which will guide us in our safety work.

First Aid Training on your Project will contribute to the prevention of accidents by making everyone safety-conscious. It will also teach you what to do when an accident happens. You should cooperate in every way with your local Red Cross Chapter. If there is no Chapter in your community, you should assist in forming one.

It is also suggested that you send in your application for membership in the National Safety Council. For $12.50 per year you will get a service that is costing others $25.00.

4. Safety and Accident Prevention.

REA Projects will soon have their own insurance code, which will separate their losses from the losses of other electric utility companies generally. Rates will be based on REA Project loss-experience alone, and accident prevention will result directly in low insurance costs.

4. Safety and Accident Prevention. (Cont'd)

Prevent accidents by removing causes as suggested in past and future Safety Bulletins issued by REA, National Safety Council and insurance companies. Principal causes are hot-line work (in violation of Operations Memorandum No. 5, Division of Operations Supervision), inexperienced or incapable employees and improper tools and methods.

Make prompt report by wire of all lost-time accidents and follow with a detailed report.

Insist upon the enforcement of the safety program requiring First Aid Training, membership in the National Safety Council, and observance of regulations issued by REA and others, designed for safety. Education of members in all phases of safety will best be accomplished by cooperation with your local Red Cross Chapter.

CONFERENCE OF PROJECT SUPERINTENDENTS

LARGE POWER USERS

I. As Defined By Present REA Regulations: Large Power Users are those consumers whose operations require more than 25 KVA transformer capacity and served only at the discretion of the Board of Directors of the project.

II. Capacity Of Project For Service To Large Power Users.
   1. Desirable amount for this service.
      A. Control by Project Board
      B. Advice by REA.

III. Users' Service Relations To Project.
      A. Of greatest advantage.
      B. Secondary.
      C. Disadvantage.

IV. Survey Of Potential Users.
   1. Field Survey Records.
      A. Existing Operations.
      B. Potential operations
   2. Survey Personnel.
      A. Project's Personnel and members.
      B. A & M Colleges.
      C. Government Agents.
      D. Equipment agents.
   3. Distribution of Data.
      A. Publications.
      B. Agencies.
      C. Manufacturers.
      D. Central office of REA.

V. Handling Of Users' Application.
   1. Compile complete data on each user.
   2. Refer to Washington office for recommendations.

VI. Types Of Users.
   1. Agricultural.
      A. Crop development.
      B. Processing.
   2. Industrial.
      A. Forest products.
      B. Mineral resources.
      C. Common carriers.
      D. Government agencies.
      E. Resorts, etc.

[illegible]

[illegible]

[illegible] operations requires more than 25 KVA transformer [illegible] are served only at the discretion of the Board of [illegible] of the project.

II. Generic Of Project For Service To Large Power Users.

A. Control by Project Board
B. Advice by REA.

III. Users' Service Relations To P[illegible]

[illegible] Of greatest advantage.

[illegible]

A. Billeting Operations.

[illegible]

2. Survey Personnel.
A. Project's Personnel and members.
B. A & M Colleges.
C. Government Agents.

[illegible]

3. Distribution of Data.

[illegible]

B. Agencies.
C. Manufacturers.
D. General office of REA.

V. Handling Of Users' Application.
1. Give life consideration data on each user.
2. Refer to Washington office for recommendations.

VI. Types Of Uses.

A. Farm development.
B. Processing.
C. Industrial.

[illegible]

C. Common carriers.

[illegible]

E. Resorts, etc.

Large Power Users On REA Projects

I. **LARGE POWER USERS**, as defined by the REA Regulations:-------

> Are those users requiring more than 25 KVA Transformer capacity, or installing larger motor units than those specified in the project's regular rate schedules?

In discussing the Large Power User, it is necessary to refer to the service requirements and its relation to the project and the community, as you will note in the following references.

The supplying of power by an REA Project is not confined to the ordinary use and demands of Farm-and-Home and Small-Power service of the cooperative members.

Power for larger services may be supplied for other special uses in the area, provided the prospective USER is not receiving central station service.

As a general principle, the prospective USER must be a member of the cooperative project. The uses and relations of the prospective USER should be such as not to conflict with the desirable developments of the project or community.

No positive rule or yard-stick can be established to fit every REA project. Power factors and uses on one project may not be desirable for others.

The following discussion is offered as a general guide to assist in the development of Large Power USERS for the best interest and relations of the separate projects.

II. Capacity Of The Project: For Large Power Use.

1. The supplying of service to a Large Power User is not mandatory.

2. The capacity of a project, under its present set-up, may be limited by its design, its purchased power contract, or the source of power.

3. The supplying of this service is left with the discretion of the Board of Directors or Trustees of the Project who cooperate with the REA office at Washington, as provided for in the regulations.

4. Each project should establish the approximate limits of the service and power it can conveniently supply for Large Power USES without affecting the service to its present users or its anticipated primary use. When the capacity is definitely limited, the future operation and relations of the project can be adversely affected unless carefully controlled and distributed. The amount of power for the use will primarily depend upon the project's anticipated on-and-off peak loads for its other uses, and the full capacity of the project.

5. The project should also know its ability to increase its capacity. Extending service beyond the present capacity can only be done when this is known to be feasible and practical.

6. In establishing the approximate capacity of the project for Large Power Use, the REA will cooperate in advising on the limitations of the present design, contracts, source of power and the original anticipated uses.

2. The capacity of a project, under its present set-up, may be limited by its design, its purchased power contract, or the source of power.

3. The supplying of this service is left with the discretion of the Board of Directors or Trustees of the Project who cooperate with the REA office at Washington, as provided for in the regulations.

4. Each project should establish the approximate limits of the service and power it can conveniently supply for Large Power Use without affecting the service to its present users or its anticipated primary use. When the capacity is definitely limited, the future operation and relations of the project [illegible] should be carefully controlled and distributed. The amount of power for the use will primarily depend upon the project's anticipated on-and-off peak loads for its other uses, and the full capacity of the project.

5. The project should also know its ability to increase its capacity. Ordinarily [illegible] the present capacity can only be done when this is known to be feasible and practical.

6. In establishing the approximate capacity of the project for Large Power Use, the REA will cooperate in advising on the limitations of the present design, contracts, source of power and the original anticipated uses.

III. User's Service Relations To The Project.

1. The proper use of Large Power Service offers an excellent means of fulfilling many of the objectives of the REA program. By its selected use and control, it can be made to (1) improve the economic operation of the project and, (2) assist in developing the resources within the area of the community served by the project.

2. The USER'S relation to the project will depend upon the factors and services that may be required. This can only be determined by a careful study of each potential USER'S estimated power load and demands, the cost to the project in supplying the service, the uses as they may affect the community and other users on the project, and its effect on the project's present and future developments.

3. In general, a USER'S requirements and use to the project and community are primarily considered in relation to the on-and-off peak loads of the project; its effect in reducing the operating costs; its development of the community. The combined relations of the demand and use may be classified as:

   (1) Those offering the greatest advantage such as: high load factors during off-peak load of project; and processing of agricultural products.

   (2) Those offering no advantage or undersirable factors and relations such as: low consumption of power with demand only during peak load of project; on-and-off operation creating bad surges, such as casual saw-mills and mines.

4. A control over the above can only be accomplished by cooperation between the project and the Washington office. For this reason, the applications are submitted from the project to the Division of Operations Supervision at Washington.

IV. Survey Of Potential Users.

1. Each project will find it of greatest assistance in developing Large Power Use by making a survey of the potential USERS and uses that may be served in the community. The survey should be directed with special reference to those which will provide the most satisfactory relations.

2. This can best be accomplished through the coordinated efforts of the project's members and personnel. The local Government agents, the colleges and the equipment agencies in the area whose departments of special training and experience qualify them as able to properly advise and who will cooperate, can be of great assistance in making the survey.

3. After a complete survey has been made, further assistance may be received by distributing the data to all the members, personnel, and agencies assisting in serving the project, by publishing in the local newspapers and in the journals interested in special uses, and by recording the accumulated data with the REA.

4. A well-organized Committee on Large Power Service may offer the best means on many of the projects to direct the survey of these uses.

5. A partial list of probable USERS is later referred to as a guide to any survey. Many of these users are now being served by the REA.

V. Handling Of Users' Applications.

1. When an application or request of service is received from a Large Power USER, as stated above, the project submits the application to the REA at Washington through the Division of Operations Supervision.

2. This is accomplished by forwarding to Washington a complete description on the prospective USER'S purpose of use--location in relation to the lines of the project--details of the estimated load and maximum demands--expense to the project in making the connection--possible advantages or disadvantages to the project--and all other pertinent data that would be of interest and assistance to the Washington office in its review. An Operations Memorandum is being prepared as a guide which outlines more in detail the general information listed above that should accompany each application of a Large Power USER.

3. A copy of the proposed Memorandum is attached for your review. Only such information is requested as you can secure or estimate, or is pertinent to the prospective service.

4. When these suggested data accompanies the original request, it greatly reduces the correspondence and expedites the cooperation and recommendations of the Washington Office.

VI. Types Of Users.

1. By and large, the principal uses for Large Power Service will be for the development and processing of the Agricultural resources of the area. These commonly are:

Canning and Packing	Irrigation
Cream and Cheese Factory	Grain Elevator
Feed Mixing and Grinding	Gins and Oil Mills
Refrigeration and Storage	Dehydrating

A centralized group of combined uses.

2. However, many uses, allied with the development of the area and the project such as processing the forest and mineral resources, common carriers, Government agencies, resorts, etc., may request service from the project and be desirable USERS. These, commonly are:

Lumber Mill	Handle or Box Factory
Furniture Plant	Wood Preserving
Lime and Dry Ice	Stone Quarry
Gravel and Sand Plant	Cut Stone and Marble
Fertilizer Plant	Mining, etc.
Aviation Fields	Camps
Experiment Station	Hospitals
Highway Shops	Prisons
Government Institutions	Resorts
Signal Systems	Loading Stations

3. A careful study of the demands and relations of these potential USERS should be made to determine their advantage or disadvantage to the project and the community. The variety of potential uses covers the entire field of developments that the area may offer, many of which it may be impossible to serve. Each project should determine and establish these relations.

4. An REA project is performing its greatest service to the community only when its Large Power use is developing the most desirable resources of the area.

SUMMARY

1. The sale of power is not the sole objective in supplying service to the Large Power USERS. It is only desirable provided it will benefit the economic condition of the project and its relations to the community.

2. An increase in Large Power use is highly desirable at this time on many of the projects, in order to:
   (a) Increase the gross revenue.
   (b) Better the present load factors.
   (c) Reduce to cost per KWH.
   (d) Develop the resources of the community.
   (e) Increase the incomes in the area of the project.

3. To increase the Large Power Service so as to accomplish the above, each project should:

   FIRST: Establish the present capacity of the project for Large Power Service and the ability of the project to extend in the future.

   SECOND: Adopt some general policy, favorable to the recognized principles of the REA program, as to what uses will be of primary advantage to the project and community, and encourage their development.

   THIRD: Make a comprehensive survey for these potential uses that may be developed. Distribute this data where it will be of greatest advantage to assist in developing these operations.

   FOURTH: Continuously advise the community on these potential users. Keep the general public informed as to what constitutes a Large Power USER and of the possibilities and limitations of service they may expect from the project.

   FIFTH: Upon receipt of an application, collect all the available and pertinent data on the USER, as outlined in the attached memorandum and forward to the Division of Operations Supervision, REA at Washington for their suggestions and advice on the costs of the service and the rates to the USER.

As referred to at the beginning: The Large Power USER is only when the service requires more than 25 KVA Transformer capacity etc.,----and not receiving central station service. However, the Small Power USER of the operations referred to above, is the potential future <u>LARGE POWER USER</u> of a project and should be so considered.

[illegible]

[illegible]

[illegible]

Revision of
Operations Memorandum #16
LARGE POWER APPLICATIONS
(Revised February 21, 1939.)

To All Project Managers and Superintendents:

Data Required in Relation to
Large Power Applications

1. The attached revised form is issued to supersede the blank form now part of Operations Memorandum #16 - "Large Power Applications."

   You will note we have revised the requested data and hereafter kindly furnish us as much of the information specified on this revised form as you can secure or estimate.

2. In reference to the location SKETCH you will prepare, this must be included in your data. To assist us in checking the effect of the load on the voltage, record on this sketch the size of conductors and the miles of each size leading from the substation to point on your project where the applicant's connection is to be made. (See sample sketch attached.)

3. All data on the form should be filled out by the Project Superintendent or Manager, and not by the applicant. This with special reference to all information on the second page of the data form.

4. In estimating the replacement of existing power units (B-ESTIMATED CONNECTED LOAD OF APPLICANT) the greatest economy to both the project and the applicant is only effected when the motors are of the proper size. Remember that an electric motor can take a greater overload and perform more work than the same rated H.P. of steam, gas or Diesel engines. Guard against both oversize and undersize motors.

5. Keep the copy of the form attached to this memorandum in your files. Make copies of the form for the data on each new application and forward the data and the SKETCH with your letter of transmittal.

6. If you have any other immediate prospective large power applicants, give brief description in your letter of transmittal.

C. A. Winder, Director
Division of Operations
Supervision

Attachments
Form and Sketch

[illegible]

(Revised February 21, 1939.)

To all Project Managers and Superintendents:

[illegible]

1. The attached revised form is issued to supersede the blank form now part of Operations Memorandum #15 - "Farm Power Applications."

You will note we have revised the requested data and hereafter kindly furnish us as much of the information specified on this new form as you can secure or estimate.

In reference to the location SKETCH you will prepare, this must be included in your data. To assist us in observing the effect of the load on the voltage, record on this sketch the size of conductors and the miles of each size leading from the substation to point on your project where the applicant's connection is to be made. (See sample sketch attached.)

All data on the form should be filled out by the Project Superintendent or Manager, and not by the applicant. This with special [illegible] information on the second page of the data form.

In [illegible] the replacement of existing power units (R-EQUIPMENT COMMUTED LOAD OF APPLICANT) the greatest economy to both the project and the applicant is only effected when the motors are of the proper size. Remember that an electric motor can take a greater [illegible]

[illegible]

[illegible] give brief description in your letter of transmittal.

C. A. Winder, Director
Division of Operations
Supervision

RURAL ELECTRIFICATION ADMINISTRATION	DATA ON LARGE POWER APPLICATION AS LISTED BELOW	PROJECT NUMBER _____ DATE: _____

A. APPLICANT FOR LARGE POWER SERVICE, OR PROSPECTIVE USER

1. Name _____

2. Address _____

3. a. Type of business _____
   b. Is it a new or an existing business? _____

4. If an existing business give name of party now supplying energy and give type of power. _____

B. ESTIMATED CONNECTED LOAD OF APPLICANT

1. No. of three phase motors _____. Total h.p. _____. Voltage _____

2. Largest three phase motor ____ h.p. _____ Volts.

3. No. of single phase motors _____. Total h.p. _____. Voltage _____

4. Largest single phase motor _____ h.p. _____ Volts

5. What kind of machines (or operation) does the largest motor drive? _____

6. What is the additional load of applicant exclusive of the above motors (such as lights, heat, etc.) in KW? _____

C. ESTIMATED MAXIMUM DEMANDS AND CONSUMPTION OF APPLICANT

Month	Max. Demand KW	Total KWH	Month	Max. Demand KW	Total KWH
January			July		
February			August		
March			September		
April			October		
May			November		
June			December		

D. Give description of any EQUIPMENT to be furnished and CONSTRUCTION to be PAID FOR by the applicant (other than Motors, Lights, etc., and wiring in applicant's plant). _____

E. How Long a Contract does the Applicant Want? _____ yrs.

F. Is above Information Supplied by Applicant ( ) or Estimated by you? ( ).

3. No. of single phase motors_____. Total h.p._____. Voltage _____

4. Largest single phase motor_____h.p._____Volts

5. What kind of machines (or operation) does the largest motor drive?_____

6. What is the maximum use of electrical energy in the above motors (such as lights, heat, etc.) in kW?_____

C. <u>ESTIMATED MAXIMUM DEMAND AND CONSUMPTION OF ELECTRICITY</u>

					Total
					Daily
					August
					September

7. Are Electric Equipment and Equipment to be Installed and Connected to the Electric Power Supply Line Approved, Safe and Suitable for Operation?_____

8. Are Lamps Provided for Electric Light?_____

D. Is above Information Supplied by Applicant ( ) or Designated by Staff ( ).

G. LOCATION OF APPLICANT'S INSTALLATION IN RELATION TO PROJECT

1. Distance of applicant from REA substation _____

2. Distance from REA present 3-phase line _____

3. ATTACH A SKETCH showing location of applicant in relation to REA lines. Show REA substation and lines on sketch, detailing its relative location to applicant. Give sufficient information so we can spot the location on the project map. (Sample Sketch Attached.)

H. MAXIMUM PEAK of whole REA Project since being energized:
Date _____. Day of Week _____. Hour _____ AM Peak KW _____
Date first energized _____. or _____ PM

I. NEW EQUIPMENT AND CONSTRUCTION REQUIRED TO CONNECT APPLICANT

1. Equipment and construction to be furnished and charged to REA Project. Give detailed description and estimate of cost. _____

_____
_____
_____
_____
_____

J. HOW LONG A CONTRACT DO YOU RECOMMEND WITH APPLICANT? _____ yrs. _____

K. DESCRIBE ANY POSSIBLE ADVANTAGES TO REA PROJECT IN ADDITION TO REVENUE

_____
_____

L. DESCRIBE ANY POSSIBLE DISADVANTAGES TO REA PROJECT

_____
_____
_____

M. ANY OTHER PERTINENT INFORMATION NOT DETAILED IN YOUR LETTER OF TRANSMITTAL:

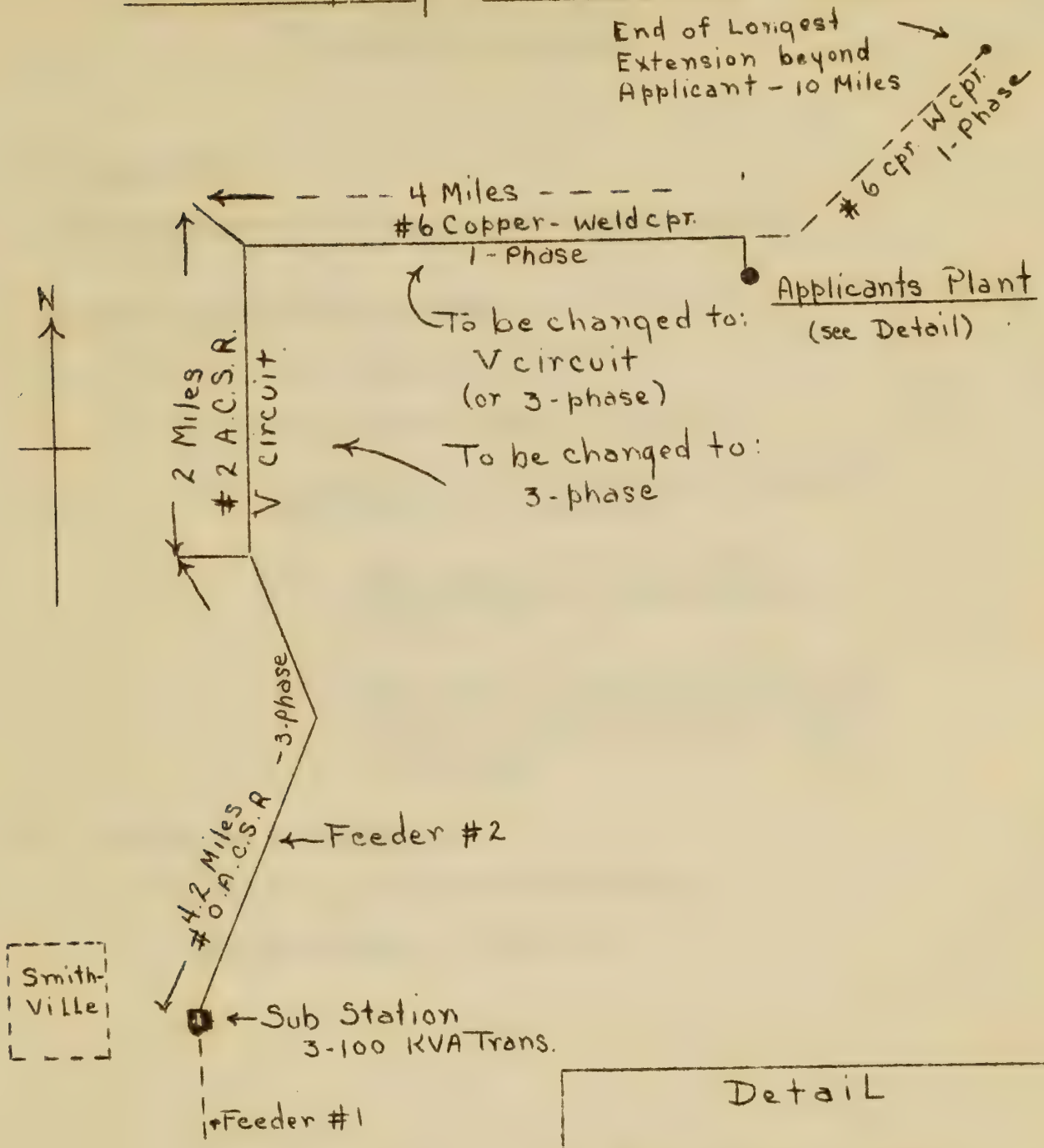
_____
_____

N. If this Demand increases Project's Peak beyond present wholesale power contract, explain in letter of transmittal where additional power is available.

By: _____

SAMPLE MAP SKETCH

To Accompany Large Power Application



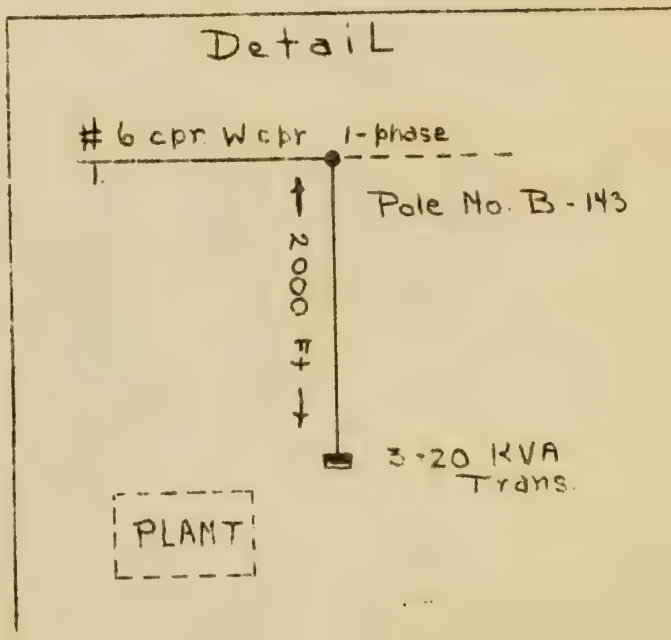
Name of APPlicant:

_____

Project No: _____

Date _____

_____



CONFERENCE OF PROJECT SUPERINTENDENTS

ACCOUNTING AND AUDITING

I. Introduction

Operations Accounting as a means of Administrative Control.

II. Setting Up Borrower's Accounts

A. The Accounting System Prescribed

1. Accounting Required during Construction

(a) The Relation of Construction and Operation with Respect to Accounting

(1) Operating accounts and their organization for Administrative Control.

(1a) Observation of Results of Operations through Financial Statements Prepared from Data Obtainable from the Operating Accounts.

III. Auditing And Its Purposes

A. Auditing As An Assistance To Borrowers

1. The REA Auditor and His Duties

CONFERENCE OF PROJECT SUPERINTENDENTS

OPERATIONS ACCOUNTING AND AUDITING

Extension Of Remarks
Introduction

Operations Accounting As A Means Of Administrative Control

Accurate policy determination is dependent upon recorded facts. Such facts must be complete, reliable and immediately available. Records properly kept not only indicate the results of past performances but have a decided bearing on the future. The growth or contraction of a business is projected on the basis of forecasts that can only be made from definite and accurate facts, and these facts, for the most part, are obtainable only through the accounting records. Accounting, therefore, becomes the fundamental structure of any business enterprise.

The Project Superintendent, with the counsel of the Board of Directors, is directly responsible for and concerned with the successful operation of the corporation with which he is associated. He is interested in watching the trends of his business, in increasing revenues at a minimum expense, in meeting all obligations of the corporation promptly, and many other like questions of major importance. A sound plan with respect to any of these matters can not be formulated without facts which are or should be obtainable from the accounting records. From these records the Superintendent and the Board of Directors may determine what steps to take in order to build line load, campaign for new members in order to increase revenues, plan for future contingencies, correct unbusinesslike methods, and in general direct the affairs of the enterprise in the proper course.

It is well for those who have assumed managerial responsibilities to understand the figures and facts presented by the accounting records. A statistical figure standing alone may not mean much, if anything. Trends are easily seen by comparison. The average kilowatt-hour consumption may be 50 for a given month, but the value of that fact is not readily understood unless it is compared with the previous month or months. If by comparison it is seen that a decrease in kilowatt-hour consumption has occurred, the answer should be immediately sought for, as the "danger signal" deserves and should have serious consideration and action on the part of the responsible parties. Likewise, if it is found that revenues are decreasing instead of increasing, the time for corrective measures has arrived. Time will not permit us to delve deeply into the importance of trends, but these suggestions should

serve as a lead to the alert Project Superintendent. Month by month and year by year these facts, as reflected in the accounting records, will guide the management in keeping operations up to a maximum state of efficiency and production.

The Project Superintendent and the Board of Directors are entrusted with the responsible function of managing the affairs of the cooperative for the membership at large. They do not own the business. They are a means to an end. So seriously should they assume their respective responsibilities that no effort should be spared in becoming familiar with every phase of the business, and especially should they know facts when they see them. The accounting facts recorded in the books are of tremendous importance and if intelligently employed they will prove to be invaluable in the development and expansion of the corporation's affairs.

Accounting Required During Construction

In order to simplify accounting during construction, it was decided to establish clearing accounts rather than expect the bookkeeper to classify Electric Plant items. Therefore, all expenditures made from Special Construction Funds are charged into Account 143.2 and at the time the REA auditor makes a Contractor's Final Audit this account is cleared and the items contained therein properly distributed to the appropriate accounts in the 300 series. Likewise, expenditures made from General Funds during the construction period are charged to Account 143.3 and distribution of the items made by REA auditors.

It has been the practice to capitalize all expenditures during the construction period, and since this method of charging all items into clearing accounts has proved to be advisable, the accounting procedures during construction are simple and easy. There are, of course, other accounts, such as U. S. Social Security Tax payable by employees, Interest Accrued - Deferred - on Long Term Debt, Long Term Debt account, etc. If the accounts outlined for the construction period are followed, however, the offsetting entries will be automatic.

It is generally known that every cent of money advanced by REA must be accounted for. Funds advanced by the Government must not, under any circumstances, be disbursed prior to the approval of REA. Approval or disapproval of all items is usually indicated by the copy of Financial Requirement Statement returned to the Borrower. It is important that this rule be strictly followed and that the accounting records reflect the fact that it has been adhered to. In no other way can there be a satisfactory reconciliation of the cash account as well as other entries on the books.

[illegible] as large. They do not own the [illegible], and. So normally should they [illegible] conditions that no effort should be [illegible]

[illegible] in the books are of tremendous importance [illegible] they will prove to be invaluable in the [illegible] and expansion of the corporation's affairs.

In order to simplify accounting during construction, it was decided to establish clearing accounts rather than expend the [illegible]

Items made from General Construction Funds are charged into Account 1413.1 and at the time the FCA auditor makes a Government Funds Audit this account is cleared and the items contained therein properly distributed to the appropriate accounts on the 900 series. Likewise, expenditures made from General Funds during the construction period are charged to Account 1413.3 and distributed at the [illegible] made by FCA auditors.

It has been the practice to capitalize all expenditures during the construction period, and since this method of charging all items into clearing accounts is now proved to be satisfactory, the accounting procedures covering construction are also in and away. There are, of course, other accounts, such as U. S. Social Security tax payable by employees, Insurance Accrued - Deferred - on loan from Bank, Loan from Bank accrued, etc. If the accounts as listed for the construction period are followed, however, the clearing accounts will be accurate.

It is generally known that every cent of money advanced by FCA must be accounted for. Funds advanced by the Government [illegible], under any circumstances, be disbursed prior to the approval [illegible] or disapproval of all items is usually initiated [illegible] of Financial Requirements Statement returned to the [illegible] It is important that this rule be strictly followed and [illegible] records reflect the item for it has been [illegible] no other way can there be a satisfactory reconciliation [illegible] account as well as other entries on the books.

Project Superintendents are, as a rule, responsible for the disbursements. They make recommendations to the Board of Directors for the payment of bills and accounts. In the majority of cases, the Board of Directors acts on the basis of the recommendation of the Project Superintendent without going into minute details to determine if the recommendation justifies favorable action. They have confidence in their superintendent and he must not betray that confidence in the handling of funds advanced by the United States Government. The bookkeeping records will reflect any deviations from the prescribed regulations governing the disbursement of Special Construction Funds. Bookkeeping schools are under way and all bookkeepers are being instructed not to be a party to any misappropriation of funds irrespective of instructions to the contrary. Auditing will be treated later, but at this point it may be well to state that all Construction Loan Contracts and Mortgages provide for audits by REA auditors. The auditors are trained experts in their line of endeavor. Whatever may be found by them, whether right or wrong, will be reported. They are friends, not enemies, and each of them would greatly prefer making commendatory rather than derogatory reports. However, they will report what they find regardless of whom it may affect. This point is here made with the view of giving assurance that any effort to "cover up" in handling funds or the accounting records will be uncovered by the REA auditor when he arrives. The accounting procedures during construction, therefore, are extremely important and every care should be exercised not only to have the transaction correctly recorded and all supporting receipts and data available, but all expenditures from Special Construction account should be in accordance with prior approval by REA.

Setting Up Borrower's Accounts

The Accounting System Prescribed

In the early days of REA's existence, before the construction of any project had actually started, the importance of uniformity in accounting procedures was realized. The value of statistical information obtainable from the books of cooperatives was visualized and there also entered into the problem the question of State and Governmental regulatory bodies which require periodic reports prepared from records established in a manner to provide the desired information. Accordingly, the Uniform System of Accounts Prescribed for Use of Borrowers was the result of lengthy conferences with officials of the Federal Power Commission and others. The REA System of Accounts is, therefore, in conformity with the procedures established by the Federal Power Commission under the Federal Power Act of Congress. It also meets the requirements of the various State Public Service Commissions. It is designed for use by all projects, large and small, and it provides for all necessary information required by REA and others.

There have been two major revisions of the accounting manual both of which have clarified and simplified certain accounts contained in the original manual.

As soon as practicable after the execution of the Construction Loan Contract, Note and Mortgage, REA auditors are required to install the accounting system. The bookkeeper, if one has been employed, is thoroughly instructed in the maintenance of the accounting records. It is usually advisable to delay the visit of an auditor until such time as a bookkeeper has been appointed.

Standard accounting forms have been adopted, and a sufficient supply of these forms to establish the bookkeeping records is sent to each project upon receipt of notification that the Construction Loan Contract has been executed. If correct records of cash receipts and expenditures have been maintained up to the time the Construction Loan Contract was executed, little difficulty will be experienced in opening the various accounts. The question of maintaining the accounts after they have been opened presents another problem.

The mechanics involved in setting up the accounting records are not particularly difficult, but it requires training and experience in double entry bookkeeping to classify and record transactions properly as they occur. And it may be stated here that utility accounting is in many respects different from ordinary commercial practices. While the fundamental principles of accounting are the same, that is, the double entry method (equality of debits and credits) there are peculiarities in connection with utility accounting a knowledge of which can only be gained by intensive study and practical experience.

Care should be exercised, therefore, in the selection of a bookkeeper-stenographer, as it is entirely out of the question for anyone to maintain properly the accounting procedures prescribed for use of Borrowers without adequate training and experience in double entry bookkeeping. An inexperienced, untrained employee may well be expected to render inefficient services and cause the cooperative to incur unnecessary expense for accounting and auditing services in order to correct errors in principle.

In setting up the accounting system, the accounts provided in the Manual of Accounts are followed. There are four records of original entry, namely, the Record of Cash Received, Record of Checks Drawn, Record of Audited Invoices and the Journal. Two sets of these are required, one for Special Construction Funds and one for General Funds. These sheets should be labeled "Special Construction" and "General Funds" and they should be kept separately in the binder. All transactions are recorded in one or more of the records mentioned. Then we have the General Ledger to which all entries made in the above-mentioned books of original entry are posted. The accounts in the

[illegible] and accounting forms have been adopted, and a sufficient supply of these forms to establish the bookkeeping records [illegible] such project upon receipt of notification that the [illegible] experienced in opening the working accounts. The question of [illegible] the accounts after they have been opened presents another [illegible]

[illegible] involved in setting up the accounts [illegible] considerably difficult, but it requires tactfulness and [illegible] in doing every bookkeeping to clearly and record transactions properly as they occur. And it may be stated here that utility [illegible] in any respects different from ordinary commercial [illegible] While the fundamental principles of accounting are the [illegible], that is, the double entry method (equality of debits and credits) there are peculiarities in connection with utility accounts a knowledge of which can only be gained by intensive study and [illegible]

Care should be exercised, therefore, in the selection of a bookkeeper-stenographer, as it is entirely out of the question [illegible] to maintain properly the accounting procedures prescribed [illegible] of Borrowers without adequate training and experience in [illegible] entry bookkeeping. An inexperienced, untrained employee may [illegible] expected to render inefficient services and cause the [illegible] to incur unnecessary expense for accounting and auditing [illegible] in order to correct errors in principle.

In setting up the accounting system, the accounts provided [illegible] the manual of Accounts are followed. There are four records of [illegible] entry, namely, the Record of Cash Received, Record of Checks [illegible] required, one for Special Construction Funds and one for General [illegible] These sheets should be labeled "Special Construction" and [illegible] are marked in one or more of the columns mentioned, [illegible] to which all entries made in the above [illegible] are posted. The accounts in the

General Ledger are, for the most part, segregated between "Special Construction" and "General Funds". The Consumer's Ledger is opened with a page for each consumer. This ledger is subsidiary to the General Ledger and in it arerecorded the consumers' bills and pay- y y ments thereon. By following the Manual of Accounts, the installation of the Accounting system is not a difficult operation.

The Relation Of Construction And Operation With Respect To Accounting

It is obvious that construction precedes operation. Without construction, operations would not be possible. Therefore, the accounting records established during the construction period are carried over into operations. The various Electric Plant (Capital) accounts are set up as permanent records and as operations proceed, additional capital items will be acquired. These capital items, singly and collectively, will form the basis of invaluable information to the management in formulating plans for the future. For example, it will be of material interest to know from time to time the relation between the number of connected consumers and the total cost of the project, i. e., the cost per consumer. The capital accounts may also be of value in projecting new extensions, etc., in that the over-all cost of any one of the group of capital items may be used as a basis for figuring costs on new construction.

It frequently happens that before the construction of a project is finished a portion of the line is energized. This necessitates the establishment of operating records. At the same time construction records are being maintained. There is, therefore, an interlocking of functions, duties and responsibilities of the Project Superintendent, the bookkeeper and others associated with the corporation, and the accounting records must reflect this overlapping. After an entire section of line has been energized and if additional sections are under construction, the bookkeeper, with the cooperation of the Project Superintendent, is required to prorate salaries and other expenses between construction and operation. The relationship between the accounting for construction and operation becomes very close at this point.

In the end, when all construction is completed and the project in full operation, the accounts established during the construction period will still remain as permanent records.

Operating Accounts And Their Organization For Administrative Control

It may be well to mention here that the two main groups of accounts are known as REAL and NOMINAL accounts. Real accounts

It frequently happens that before the construction of a project is finished a portion of the line is energized. This necessitates the establishment of separate records, or the same plan requires separate records are being maintained. There is, therefore, an interlocking of functions, duties and responsibilities of the Projects and Operations. The building engineer and engineer assigned to the company, and the operating engineer and engineer assigned to the operation, and the operating engineer and engineer assigned to the company. After a certain portion of line has been energized and it substantially serving its under consideration, the engineer assigned to the company of the larger organization, is required to prepare material and labor expenses between construction and operation. The relationship between the accounting for construction and operation becomes very close at this point.

In the end, when all construction is completed and the project in full operation, the accounts established during the construction period will result in a common account.

Capital Accounts and Year-Operation - Accounting Change

It may be well to mention here that the two main groups of accounts are known as REAL and NOMINAL accounts. Real accounts

represent assets and liabilities. Nominal accounts are those in the expense and income groups. Assets and liabilities are usually referred to as current and fixed assets and current and fixed liabilities. Current assets are cash, accounts receivable, short term notes receivable, etc. Fixed assets include Electric Plant, furniture and fixtures, tools and equipment, trucks, automobiles, etc. Current liabilities are accounts payable, notes payable (short term) etc. Fixed liabilities are obligations of the corporation which do not have to be liquidated immediately, such as Long Term Debt, etc.

It is preferable to set up assets and liabilities in the General Ledger in the order mentioned above. Such an arrangement facilitates the preparation of the Balance Sheets and other financial reports in the manner usually required by accountants and financial institutions.

Income and expense accounts are likewise organized in the General Ledger. If all income accounts are grouped together and in like manner the expense accounts are established in the ledger, income statements in proper form are easily prepared.

When we refer to "Operating Accounts", we usually mean those accounts which reflect details as to the operation of the enterprise, such as sales of electric energy and expenses incident to such sales. However, these accounts have a direct bearing on the asset and liability accounts. Energy sales result in accounts receivable and finally in cash collections. It will, therefore, be seen that a nominal account may be converted into a real account and in turn, the current asset - Cash - may be converted into a fixed asset, such as land, buildings, furniture and fixtures, etc. As a result of cash collections, liabilities may be reduced. All of these various relationships are important and an understanding of these constant changes will enable the Project Superintendent and the Board of Directors to discover immediately any tendencies which may result in an unhealthy condition. If the accounts are properly organized so that the financial statements present the information desired in a readable and understandable manner, the changes that occur from month to month will be outstanding.

Auditing As An Assistance To Borrowers
The REA Auditor And His Duties

Auditing is frequently referred to as "Examination" or "Investigation". It is because of these terms and the reputation of commercial auditors in uncovering tangible evidence of wrongdoing that the rank and file of any organization frowns upon the appearance of an auditor. They feel ill at ease and that the sole purpose of an auditor is to find evidence of defalcation in the

[illegible]

[illegible] and Fixtures, tools a[illegible]

[illegible] Current Liabilities are accounts payable, notes payable [illegible] etc. Fixed liabilities are obligations of the corpora[illegible]

It is preferable to net up assets and liabilities in the General Ledger in the order mentioned above. Such an arrangement facilitates the preparation of the Balance Sheets and other financial reports in the manner usually required by a courtesies and financial institutions.

Income and expense accounts are likewise crystalized in the General Ledger. If all income accounts are grouped together and in like manner the expense accounts are entered in the ledger.

When we refer to "Operating Accounts", we usually mean those accounts which reflect data as to the operation of the enterprise, such as sales of electric energy and expense incurred to such sales. However, these accounts have a direct bearing on the asset and liability accounts. Energy sales result in accounts receivable and liability in cash collections. Likewise, therefore, be seen that a nominal account may be converted into a real account and in turn, the current asset - Cash - may be converted into a fixed asset, such as land, buildings, fixtures and furniture, one. As a result of such conversions, liabilities may be reduced. All of these various transactions are important and an understanding of these concepts enables the Investment management and Board of Directors to identify quickly any tendencies which may result in an unfavorable condition. If the accounts are properly [illegible] so that the financial statements present the information [illegible] in a readable and understandable manner, the changes that occur from month to month will be understandable.

Auditing is frequently referred to as "Examination" or "Investigation". It is because of these terms and the reputation of commercial auditors in uncovering tangible evidence of wrong[illegible] [illegible] of an auditor. They feel it at ease and that the sole [illegible] of an auditor is to find evidence of defalcation in the

handling of finances.

This impression is erroneous and especially with respect to REA auditors. The REA auditor does not have for his purpose the finding of evidence of mishandling money. He very much prefers the confidence and good will of everyone with whom he may come in contact. He needs the cooperation of the personnel in order to perform his work to the advantage of the cooperative as well as REA.

During the construction period, REA is particularly interested in knowing that funds advanced have been properly expended for the purposes approved and that records have been maintained to substantiate such expenditures. This is of equal importance to borrowers. Throughout the life of the project, borrowers will want to feel that all transactions occurring during the construction period were legitimate and honestly accounted for. It is the duty of the REA auditor to leave with the borrower such records. He verifies every receipt and disbursement and furnishes the Administrator with the necessary proof that the money advanced by the Government has been properly handled. From this information, the Administrator makes certification to other agencies of the United States Government that the cost of the project is as represented by the figures submitted by borrowers and verified by auditors.

After projects are energized and in operation, it is to the advantage of cooperatives to have REA auditors make periodic audits. As previously explained, it is through the facts recorded in the books that future plans are made for improving the financial condition of the corporation. The auditor is in position as a result of long experience to furnish this information and to point out to the management any weaknesses which should be corrected. He is able to determine what steps should be taken to enable the corporation to meet its obligations. He is in position to give advice on the various problems of management and control.

For the above reasons, the REA auditor is not an investigator. He is a "good will ambassador" and a friend to those who are endeavoring to deal honestly with the Government as well as the Corporation.

The REA auditor is honest in his purposes and will report his findings accurately, irrespective of the results.

CONFERENCE OF PROJECT SUPERINTENDENTS

POLE NUMBERING

Pole Numbering System To Promote Continuity Of Service.

The Project that has already adopted a pole numbering system should furnish the pole-marking workers with a complete map of the Project, showing each Project pole, and its assigned number.

Projects which have not adopted a pole numbering system should devise one immediately, transferring to a Project map, information showing each pole and its assigned number.

"Suggested Pole Numbering System #1", U. S. Govt. Printing Office 1938 - 0 - 110122, was sent to each Project, November 18, 1938. It is REA's recommendation of a satisfactory pole numbering system.

The principal object of a pole numbering system is to promote continuity of service. The operating advantages of "Suggested Pole Numbering System #1" are:

1. The superintendent can provide each member with a telephone sticker showing:

   (1) Project phone number for service calls.
   (2) Pole number on which service transformer is mounted, or from which service takes off.

2. The member reporting outage and pole number thus identifies:

   (1) Section of line in trouble.
   (2) Lateral in trouble.
   (3) Transformer or member's house.

3. Following a severe lightning or other storm, the superintendent, or service man can group outage-call reports by sections and laterals. Therefore, he can re-establish service more expediently.

4. At night, or when road identifications are lost, pole numbers are helpful.

5. By dividing system into sections, subdividing sections into laterals, and so marking poles and map as suggested, connected load study on each of the phases is facilitated, and load balance can be improved.

CONFERENCE OF PROJECT SUPERINTENDENTS

COOPERATIVE PUBLICATIONS

There are ten rules which must be followed in preparing a project publication. They are:

1. Use lots of names.
2. Use lots of names.
3. Use lots of names.
4. Use lots of names.
5. Use lots of names.
6. Use lots of names.
7. Use lots of names.
8. Use lots of names.
9. Use lots of names.
10. Use lots of names.

These names may be those of members newly connected to the line, those who have granted rights-of-way, those who attain an honor roll by using 100 (or 200) kwh during the preceding metering period, those who are using electricity to exceptional advantages, even dealers who report an exceptional volume of sales.

All success stories should have facts and figures. In many cases detailed instructions for rigging up some new or improvised electrical (or other farm) equipment will meet reader approval. Ice-box receipes might please the women, without whose support the project will certainly collapse.

Advertising has NO place in the project publication. It takes too much time, degenerates into a shake-down racket, and has a nasty habit of popping up in the news columns.

Publications should be miserly of project time, money and energy. Encourage contributions of stories, verbal and written. Let others help. Cut in the local school English classes on the editing and reporting. Avoid "art."

A publications committee of project members, perhaps of their high school sons and daughters, will save time and trouble if it really buckles down to work.

CONFERENCE OF PROJECT SUPERINTENDENTS

THE BEGINNING OF AN REA PROJECT
AND
HOW ALLOTMENTS ARE MADE

A. Development of new projects

B. Development of supplemental projects

1. Area - need for fill-in
2. Survey
3. Maps
4. Map engineer

C. Miscellaneous extensions

1. Class A
2. Class B
3. Extensions over 1000 feet

D. Process of Examination in REA

1. Approval of various Divisions
2. Operating and construction history
3. Reports of REA field staff

E. Availability of Funds

1. Limitations in REA Act
2. Significance of an allotment
3. Cooperatives' obligation to pay
4. Problem of getting funds from Congress.

CONFERENCE OF PROJECT SUPERINTENDENTS

THE REA PLUMBING PROGRAM

1. Advantages of the REA Plumbing Program

People who have electric water pressure systems and plumbing installations have a stronger feeling of the advantages of electric service as a result getting large benefits in saving of time and labor and in greater convenience at very low operating cost. This initial experience in getting large benefits from electric service at low operating cost encourages more rapid development of many other uses of electricity. Water pressure systems and plumbing installations also make possible the use of heavy consumption appliances such as electric water heaters.

2. Organizing a Plumbing Program

The first step in organizing a plumbing program is the adoption of the plumbing program by the Board of Directors of the REA project with a resolution authorizing the borrowing of funds from REA to finance plumbing installations and the performance of functions necessary in conducting the plumbing program.

The plumbing program, as described in the REA booklet, "Planning for Farm Plumbing," should be outlined to all local individuals and agencies who might be expected to cooperate in the plumbing program. Plumbing contractors and distributors, the agricultural extension service, public health officials, public education institutions and newspapers should be requested to cooperate in the plumbing program.

3. Promotional Activities

Information concerning the plumbing program should be sent to all members. The folder, "A Bath Room for Every Farm," is furnished by REA for this purpose. REA also furnishes a postal card survey to accompany the folder for the convenience of the member indicating the extent of their interest in plumbing installation. The name and address of the project organization can be stamped on the blank side of the postal card survey. REA also furnishes a thirty-two page illustrated booklet, "Planning for Farm Plumbing," which should be distributed to each member returning the postal card survey. Displays and demonstrations of the modern plumbing equipment shown on the REA booklet, "Planning for Farm Plumbing," should be set up to promote interest and to

make available complete information on plumbing installation. Arrangements should also be made for model plumbing installations at a number of different points in the project area.

4. Plumbing Installation Procedure

"Plumbing Contract Forms and Specifications" (G.I.F-16R) are furnished by REA as a basis for plumbing installation procedure. These include "Instructions to Bidders" which describes the procedure; "Specifications for Plumbing Materials" which establishes standards for materials; "Specifications for Plumbing Installation" which establishes standards for installation practice; "Contractor's Proposal" which establishes the schedule of unit prices and the contractor's guarantee either for a single installation or a group of installations; "Bidder's Qualification" which enables the project to determine whether the contractor has the necessary qualifications; and "Miscellaneous Forms" which are needed for contracts.

5. Assistance Available from REA

After the folder, "A Bath Room in Every Farm," has been distributed and the postal card survey has been returned, the REA Utilization Division should be advised of the extent of interest on plumbing installation, as shown by a tabulation of the items checked on all of the returned postal cards. If there is a substantial number of members interested in plumbing installation, the REA Utilization Division will assist the project in arranging for displays, demonstrations, model plumbing installations, the instruction of project personnel on plumbing installation procedure, arrangements for the assistance of state and county health authorities and of the agricultural extension service, technical assistance to plumbing contractors for the purpose of developing efficient low cost practices, and arrangements for plumbing inspection service by state or local health authorities.

CONFERENCE OF PROJECT SUPERINTENDENTS

PROGRESS IN LINE CONSTRUCTION

George D. Babcock, Management Engineer

To conserve overhead expense including personnel, insurance, interest on advances of loans and to provide for early revenue from energy sales, rapid line construction is important. First Advance of Funds is made following Mortgage Recordation.

The staking of lines by the Engineer requires signed members, easements and rights-of-way. Many miles of continuous staking must be available before the Contractor can start construction crews. Once started in construction he must not be delayed by uncertainties and indecisions else unnecessary idle e man-time and unnecessary line cost will occur. He should build lines rapidly to completion, not delaying for service decisions or be diverted into side channels for unplanned extensions of short primary line or services. With wire and planned services completed one added trip over the lines should provide for all members acquired after original construction had passed their property.

At the location of a given project local persons or Weather Bureau Stations will indicate the normal most favorable months for line construction work. This should be taken advantage of wherever possible.

Previous to July 1938 nation-wide average line construction rates in unfavorable weather approximated .6 miles per day per 100 mi. of line contract; in most favorable weather 1.0 mile per day. Since then increased rates have been rapid; at present, except where freezing, in the least favorable weather months not less than 1.0 mile per day per 100 mi. of line. In the favorable months not less than 1.6 mi. per day. For lines of up to 200 miles, over 2.0 mi. per day per 100 mi. should be expected.

Illustrating improvements in construction rates, a Contractor who in '37 and '38 averaged .9 mi. per day per 100 mi. of line has progressively increased output until now his average rate is 2.8 mi. per day per 100 mi. of line.

A reduction in Contractor payroll hours required for a mile of line is very important because it means lower bids on subsequent lines. Previous to July 1938, 200 to 250 hours per mile of line predominated. Since then hours have decreased until it can be safely estimated that 150 hours should meet any situation; evidences of construction at 125 hours, or even less, are now frequent.

The prime causes of slow construction are changes made in line routings or lack of right-of-way decisions once the Contractor has started his work.

CONFERENCE OF PROJECT SUPERINTENDENTS

EUROPEAN COOPERATIVES

DIGEST OF TALK GIVEN BY JACOB BAKER TO THE CONFERENCE OF PROJECT SUPERINTENDENTS, RURAL ELECTRIFICATION ADMINISTRATION, APRIL 18, 1939 (*See note at end of this digest.)

The Rural Electrification Administration is in the unique situation of moving forward in two fields at once. It is bringing the product of modern science to a part of the population that has not had much opportunity to share the gains of invention and progress. At the same time the REA is making possible the extension throughout the whole of the United States of a new social and economic institution--the cooperative organization of an economic enterprise. Cooperation is as much of an invention as the generator or the incandescant lamp. The processes of cooperation have been developed during about the same time as the processes of electricity have been developed.

I was very much interested in Sweden two years ago to discover the problems that the Royal Board of Waterfalls had met and partially solved. The Royal Board of Waterfalls is the rather formal name for a Rural Electrification Administration in Sweden. It has the responsibility for operating the hydroelectric plants that belong to the government. But their main job is the distribution of electrical energy to farmers.

The RBW has promoted the use of electricity on the farms of Sweden in two ways. First, by the creation of a Bureau of "Electrical Agriculture." This Bureau, originally set up as a staff agency of the Board of Waterfalls, has developed so many effective uses for electricity and has made so much contribution to the improvement of Swedish agriculture that it has now become established as a separate bureau of government. The other method that the Bureau has used has been to find the most effective kind of organization and ownership that would expand the use of electricity. This they have found to be the cooperative. They deal with municipalities and corporations, but their experience has been much like that of the REA, in that they have found that cooperative organization is the way you can get electricity to farmers in the main. The Bureau of Electrical Agriculture does an excellent job of instructing individual farmers in the increased use of electricity. The rural electrical cooperatives do the job of bringing new groups and new farmers onto existing lines or creating new lines for them.

The whole cooperative movement of Sweden has given a great deal of assistance to the rural electrical cooperatives. That is the great advantage of being tied up with an important movement like the cooperative movement. The things cooperatives do in one place help out the other cooperatives.

The consumer cooperatives, organized in a large wholesale, called

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K.F. (Kooperativa-Forbundet), have been able to lend money upon occasion to assist in the organization of rural electrical cooperatives, although most of this money has been loaned by the Federal Government. What they have chiefly done has been to assist in getting equipment and supplies available at a low price. This is shown most dramatically in connection with electric light bulbs. There has been a great increase in the use of electric light bulbs, both because of the increase in rural electrification and also because, since 1928, there has been a great increase in housing in Sweden. The cooperative movement has been concerned with both, because a great many of the new housing projects are run cooperatively. In consequence, they want supplies at the lowest possible price. The electrical cartel, made up of an American, German and English firm, held the price of electric bulbs and other equipment at very high levels. The Swedish consumer cooperatives, under the leadership of K.F., decided to break this monopoly, and built a very modern, small, but highly productive factory for manufacturing every kind of electric lighting equipment. This is organized as a joint cooperative, owned by the four central cooperatives of the Scandanavian countries, Denmark, Norway, Finland and Sweden. It is called Luma. The success of the plant was very great. Its production greatly outreached the needs of the cooperatives themselves, and has supplied much of the open market, at a reduction in price of of approximately two-fifths to one-half of the previous price. The effectiveness of this enterprise so impressed the folks in Great Britain that the British Cooperative Wholesale Society asked K.F. and Luma to join with it in the building of a plant called British Luma, which will serve the British Isles.

The story of electric light bulbs is only one of dozens that could be told of the breaking of monopoly prices by cooperative organization. The list includes oleomargarine, rubber overshoes and rubber boots, salt in France and elsewhere, meat packing in Switzerland, children's shoes in Norway, and so on.

The life of a cooperator is a little different from that of persons in places where cooperation is not well developed. He expects to do everything by cooperative enterprise. The children of the family grow up with a sense of belonging to the cooperative. Shares are given to them on anniversaries. By the time the boys come of age and the girls get married, they are already part of the fully fledged cooperative movement.

A section of a country that is completely covered with a network of cooperatives is the Charente and Charente-Inferieure, in France. Forty years ago a farmer near Saintes, the capital of the district, came to the conclusion that if the farmers, who, because of the ravages of phylloxera, were being forced to transform their grape production into dairying, made their butter jointly, they could make a better quality and sell it for a higher price at a longer distance. He was a country peasant who had not read about cooperation, but he hit upon the idea for himself. It worked very well, and has continued to develop throughout that region, until now a farmer buys his seed and fertilizer cooperatively in the spring, harvests the grain through the services of another cooperative, takes it to his cooperative grist mill, where it is ground into meal or flour, delivered to his cooperative bakery, and the bread is later delivered to him by his cooperative

grocery. The complete ring of cooperative services is financed by cooperative credit institutions which belong to him. Every possible economic function in the region is cooperatively handled. The grape pest came under control, and the region has greatly redeveloped its splendid brandy producing abilities. The central town of the region is Cognac, and the brandy of the whole region is called Cognac. No other brandy is authorized to use the title. Brandy has been made in this region for about 350 years, and the people are very proud of it. Since it continues to improve for about 25 years, each family holds it as long as it can, and has, up to the present, borrowed money from the wholesalers--Hennessy, Martel, etc.,--on it, with the result that the wholesalers, in turn, control prices and in general, the farmers were in their hands. The making of brandy and its handling is in itself a long story. The farmers are very proud of their art, and very resentful of wholesaler domination. Consequently, about 11 years ago they set up a cooperative to distribute brandy throughout the world, and it has gradually accumulated sufficient finances so that it can finance the holdings of the farmers. It now has in its own warehouses, or under its financial arrangements, approximately two-thirds of the annual production of the district, and is gradually assuming responsibility for the storage of holdings. When that is complete, the farmers and townspeople of that region will have complete control of their own affairs through cooperative enterprise.

In southwestern Ireland cooperative enterprise is illustrated by a general purpose cooperative developed at Drinagh. In 1923 the parish was badly rent by the recent civil war, and the Priest thought that a cooperative would serve to rebuild friendly relations among his parishioners, at the same time that it created useful cooperative enterprise. In consequence, he proposed, and some of the farmers in Drinagh agreed, to the organization of the Drinagh Cooperative Creamery. It began on a very small scale. It was built on a back road. It took a long time for the farmers to get out of debt to the private dealers, and it required a very great deal of work on the part of the members. Now, however, it is a full fledged enterprise, with seven branches providing the farmers and agricultural laborers who belong to it with every kind of economic service. It buys for them tools, equipment, seeds, fertilizers, breeding stock, household goods, and foodstuffs. It sells for them milk, dairy products, eggs, poultry, slaughtered pigs, livestock, handicrafts, such as fabrics and woodware, rabbit pelts, potatoes, and every kind of product of the community. The private trader continues in business, and because of the increase in community income, is doing even a better business in luxury goods and other items not carried by the cooperative than he did before.

In western North Carolina the North Carolina Farmers Federation has had a similar experience to that of Drinagh. Founded at about the same time, it now has branches in about eight counties, and brings in everything the people need and sells every kind of product including standardized canned goods, handicraft, azalea plants, rhododendron plants, fence posts, and all of the other products of the western North Carolina mountains.

Similar stories can be told of other places on this continent. Nova Scotia is a notable example. Northern Wisconsin has similar organizations that have developed from cooperative creameries.

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tions that have developed from cooperative creameries.

Cooperative enterprise offers a very definite and positive method by which the income of a poor region may be increased. In each of the illustrations given this has been found to be the case. The Charente region is more prosperous than other regions in France of similar resources. In Drinagh, a 16 percent increase in income can be attributed directly to cooperative enterprise. The same is true of North Carolina or Nova Scotia.

The rural electrical cooperative in the United States is new, but the need is old and the mechanism of cooperative enterprise is tried and workable. These cooperatives will be most successful if they recognize their kinship to the worldwide cooperative movement, and if the basic principles of cooperation are continually kept in the forefront. It is essential that continuous educational work shall be done so that the members will participate actively not only in using the services of their cooperative but also in the control of this cooperative enterprise of which they are the joint owners. Without the active interest and loyal support of the members no cooperative enterprise can hope to be really successful. But education in cooperation should not be confined to merely local problems. It is very important that the members of your electric cooperatives shall recognize that they are active participants in a worldwide movement of great economic value, based upon the fundamental elements of democracy.

(*Note - Mr. Baker was chairman of the President's Commission that made a spot study of European cooperatives a few years ago. The detailed findings of that Commission are embodied in the "Report of the Inquiry on Cooperative Enterprise in Europe, 1937," which can be obtained from the U. S. Government Printing Office at 65¢ per copy. That report contains chapters dealing with the principles of cooperation, types of cooperatives, management problems, educational methods, the history of cooperation in various European countries and giving a description of some local cooperatives, including the one at Drinagh. It also has a chapter on rural electric cooperatives in Europe.)

CONFERENCE OF PROJECT SUPERINTENDENTS

WHY PROJECTS ARE INCORPORATED

1. Theory of corporate entity separate and distinct from members or stockholders of the corporation.

2. No liability of members or stockholders for corporation debts. Advantage of a corporation over a partnership arrangement.

3. Procedure for incorporating.

   (a) Filing of articles by incorporators.

   (b) Approval of Secretary of State or other appropriate state official or body.

4. Procedure for organization of borrowers.

   (a) Importance of having all steps supervised by project attorney upon receipt of instructions from REA Legal Division. Legal Division "packet" including:

      1. General instructions.
      2. Form of minutes of first meeting of incorporators and directors.
      3. Form of bylaws.
      4. Form of application for membership and for electric service.
      5. Form of certificate of membership.

   (b) First meetings of incorporators and directors.

   (c) Bylaws as comprising regulations for governing cooperative.

5. Proposed amendments to articles or bylaws should be checked with REA Legal Division before adoption.

CONFERENCE OF PROJECT SUPERINTENDENTS

EASEMENTS ARE ESSENTIAL

I. Importance Of Easements

1. For construction purposes
2. For maintenance purposes

II. Why Blanket Easements Are Necessary

III. What The Field Instruction Bulletin Outlines

CONFERENCE OF PROJECT SUPERINTENDENTS

EASEMENTS ARE ESSENTIAL

Extension Of Remarks

On or about March 22 all of the REA Borrowers were sent the latest revision of our Field Instruction Bulletin with regard to the procedure to be followed in obtaining easements. As this Bulletin deals with the whole problem in some detail this extension of remarks will be confined to a comment on those points that call for particular emphasis.

1. The selection of a competent right-of-way crew.

The men employed as solicitors should be qualified to do the right-of-way work in the proper manner. An ideal right-of-way solicitor should be a good salesman. He should be acquainted with the rural community, and have some knowledge as to law so as to be able to answer questions asked him by the landowners as to the legal meaning of phrases in the easement instrument. He should also have some knowledge of engineering practice so as to be able to answer some of the simpler questions as to methods of line construction and line location. Likewise, he should have had some experience in soliciting easements, and be willing to devote all of his energies to the problem. It is realized that in no one instance will any person combine all of those qualifications, but at least an effort should be made to obtain men who will come as close to the ideal as possible.

2. Instruction of the easement solicitors by Project Counsel.

In most instances, the easement solicitors will have no knowledge of law whatever. Even if they have some knowledge of law, it will, except in exceptional cases, not be sufficient to answer the questions that will probably be asked them by prospective grantors. It is therefore of great importance that they be instructed by project attorney as to the legal meaning of the easement instrument. This attorney should also instruct them as to the manner in which the easements should be executed, witnessed, if witnesses are necessary, and acknowledged. If possible, oral instructions should be supplemented by written instructions.

3. The keeping of an accurate record of the right-of-way work as it progresses from day to day.

The value of keeping a record of the right-of-way is

readily apparent. The best procedure to follow is to keep current a map which will reflect the progress of the right-of-way work from day to day. Detailed suggestions as to the manner in which such a record can be kept current, are contained in the Field Instruction Bulletin mentioned above.

4. The necessity of prompt follow-ups on letters written to absentee owners requesting easements.

In order that construction may not be delayed, an absentee owner from whom an easement has to be procured should be communicated with at the earliest possible date, that is, as soon as it becomes clear that an easement from him will be necessary. If the absentee owner fails to reply within a reasonable period, he should be communicated with again, either by letter or telegram. In some cases, a telegram can request a reply collect, consenting to the construction of the lines across the property of the absentee pending the receipt of a formal easement.

5. The necessity of exercising particular care to obtain an easement before trees are cut or trimmed.

It is important to obtain an easement with respect to every parcel of land on which the lines are to be constructed. It is doubly important to obtain easements when any tree-cutting is involved. If a pole is placed in a person's property without an easement's having been obtained from such person, under the worst conditions, it is possible to relocate the line. However, if a tree is cut without authority, the damage cannot be repaired, and the Project may be laying itself open to a substantial claim for damages.

CONFERENCE OF PROJECT SUPERINTENDENTS

LOAN CONTRACT AND MORTGAGE

The Loan Contract, Note and Mortgage, together, constitute the entire legal relationship between a Cooperative and the Government. A Cooperative is legally obligated to do only those things which are prescribed by the Loan Contract, Note and Mortgage. For this reason, it is important that project superintendents familiarize themselves with these documents. The Loan Contract provides for the loan, the construction of the project and generally covers the Cooperative's relationship with the Government during the construction period. The Mortgage secures the loan and covers the Cooperative's relationship with the Government until the loan has been entirely repaid.

Loan Contract

Article I. --- Provides for the loan, the execution of the Note and Mortgage and describes the project in general terms.

Article II. --- Specifies what Cooperative must do to obtain advances of funds under the Loan Contract and imposes requirements for the deposit and use of advanced funds.

Article III. --- Sets forth terms governing construction of the project and permits Administrator to appoint a supervisor if construction does not proceed satisfactorily.

Article IV. --- Specifies particular things which Cooperative agrees to do. It is the responsibility of project superintendent generally to make certain that all provisions of this article are complied with.

Article V. --- Enumerates remedies which may be enforced if Cooperative does not comply with terms of Loan Contract.

Article VI. --- Contains certain miscellaneous provisions, including Section 5 which specifies what may be included in cost of project.

Mortgage

Description of property of Cooperative mortgaged is set forth on Page 2 of printed form. All property of Cooperative whether owned at time of giving Mortgage or thereafter acquired is covered by Mortgage.

Article I. --- Provides that additional notes may be issued to evidence additional loans.

[illegible]

Article II. --- Specifies particular things which Cooperative covenants to do. Project superintendent's responsibility to make certain that these covenants are complied with during entire period loan is outstanding. Cooperative is in default under Mortgage if it fails to comply with any one or more of these covenants.

Articles III, IV, V and VI are not of particular importance to project superintendent.

CONFERENCE OF PROJECT SUPERINTENDENTS

LEGAL ASPECTS OF REA

I. Project Superintendents may be helped by a birds-eye view of what the REA lawyers do and why they do it.

II. Articles of Incorporation and By-laws. These determine the manner in which the corporation shall conduct its affairs. They should be read and understood by all members. A cooperative organization involves many special principles.

III. Manner of Holding Meetings and taking corporate action. What are the matters requiring formal resolutions?

IV. Documents requiring attention by REA attorneys. During the course of a single project an average of 128 documents requires legal attention. For this year's program of approximately 700 projects this means more than 89,000 documents. Most of these require some attention from the local project attorney.

V. Regulation by Public Bodies. The regulation of REA cooperatives varies widely throughout the several states. It is one of the livest questions in rural electrification.

VI. Certain special legal problems.

1. Taxation. Many REA cooperatives, despite exemption from many forms of tax, are now paying from 20 to 30 per cent of gross revenues in taxes. This is entirely out of proportion to ability to pay. Utility companies on the average pay less than ten per cent of gross revenues for all taxes.

2. Special classification for wholesale rate purposes. This will be a continuing problem.

3. Legal matters during operation. The services of a local attorney will be necessary on such matters as proper holding of annual and special meetings, important resolutions, tax returns, reports to state authorities, disputes between members and the corporation, claims against the corporation, contracts, etc.

Should an attorney be engaged on a retainer basis?

IV. Documents requiring attention by REA attorneys. During the course of a year's project in averages of 100 documents requires legal attention. For this year a program of approximately 700 projects this means more than 70,000 documents. Most of these require some attention from the local project attorney.

V. Regulation by Public Bodies. The regulation of REA cooperatives varies widely throughout the several states. It is one of the liveliest questions in rural electrification.

1. Taxation. Many REA cooperatives, despite exemption from many forms of tax, are now paying from 20 to 30 per cent of gross revenue in taxes. This is entirely out of proportion to ability to pay. Utility commissions in the coming year have than one per cent of gross revenues for all taxes.

2. Special classification for wholesale rate purposes. This will be a continuing problem.

3. Local municipal authorities. The services of a local attorney will be necessary in such matters as proper holding of annual and special meetings, consistent procedures, tax returns, reports to state authorities, disputes between members and the corporation, issues against the corporation, contracts.

Should an attorney be engaged on a regular basis?

CONFERENCE OF PROJECT SUPERINTENDENTS

WOMEN IN UTILIZATION PROGRAM

I. Place of home economists in rural electrification program.

A. To work closely with project officials in promoting an over-all utilization program, through large and small community meetings and demonstrations, membership campaigns, special dealer activities, etc.

B. Interpret social and economic benefits of electricity to the farm home.

C. Show individual groups of homemakers through large and small community demonstrations the advantages of a well planned wiring layout for the home, the importance of good lighting, what to look for in selecting household equipment and how to use it effectively.

II. Means of achieving a successful utilization program.

A. More active participation on the part of home demonstration agents, home economics teachers, and other agencies, assuming their part of the responsibility:

1. In instructing and assisting farm homemakers on uses of electricity in the home.

2. In developing local leadership, and fostering the spirit of community cooperation in making these projects successful.

B. More active participation of rural women themselves in the cooperatives from the very beginning:

1. Accepting responsibility of leadership in encouraging a more widespread and solid interest in the welfare of the cooperatives. (Example - Serve on Board of Directors, committees, participate in campaigns, etc.)

2. Seeing that the educational programs of the various local agencies are equipped to help them with problems on wiring, lighting, use of equipment, etc.

3. Active leadership on part of officials to see that these agencies and groups are brought more fully into the picture.

III. Summary:

A. Increased use of electricity for the individual family, and increased membership for each cooperative.

I. Place of home economists in rural electrification program.

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III. [illegible]

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CONFERENCE OF PROJECT SUPERINTENDENTS

PUBLIC RELATIONS

I. Definition of Public Relations
   - A What it is
   - B How it affects
   - C What it returns

II. The Individual and Public Relations
   - A All of employees
   - B Appearance
   - C Manners
   - D Methods

III. The Office and Public Relations
   - A Location
   - B Appearance
   - C Manners
   - D Methods

IV. The Project and Public Relations
   - A In the Community
   - B In the County
   - C In the United States
   - D To non-project people

V. Media for Public Relations
   - A The back fence type
   - B The country store
   - C Community meetings
   - D Educational Demonstrations
   - E The printed word
     1. Newspapers
     2. Posters and Visual Aids
     3. Literature
     4. Bulletins
     5. REA helpers
   - F The Project Publication
   - G Radio

VI. The Sum of Public Relations
   - A External support
   - B Internal enthusiasm

CONFERENCE OF PROJECT SUPERINTENDENTS

POWER RESOURCES OF THE UNITED STATES AND NATIONAL POWER POLICY

1. Developed power resources of the United States.
2. Undeveloped power resources of the United States.
3. National Power Policy.
4. Basic facts of electric power.
5. Past power policy.
6. New Power policy.
7. Things that have been done.

CONFERENCE OF PROJECT SUPERINTENDENTS

POWER RESOURCES OF THE UNITED STATES AND NATIONAL POWER POLICY

Extension Of Remarks

DEVELOPED. The National Power Survey of the Federal Power Commission reveals that in 1934 the total installed capacity of power plants in the United States (public and private) stood at 31,588,000 kilowatts, of which nearly 9,000,000 kilowatts were hydroelectric.

UNDEVELOPED. The capacity of undeveloped hydroelectric sites is estimated at nearly 52,000,000 kilowatts. We have 3,000 billion tons of coal in the ground. We have mined 25 billion tons. We have vast quantities of oil and gas in the ground.

POLICY. Shall these resources be utilized, primarily, for the welfare of our 130,000,000 people and their descendants or, for the financial benefit of a comparatively few thousand promoters and security holders, remembering that most of the water power and vast quantities of the fuels are still owned by the public?

ELECTRIC POWER BASIC. Electricity within 50 years has grown to be a basic necessity in modern civilization. Within a few years the demand will be many times that of today. Over 75% of America's factory wheels are today turned by electricity instead of steam. The electric furnace succeeds coal and coke. It is not only the motor power of this machine civilization but it intimately touches the life of the people from the cradle to the grave and for 24 hours of the day.

PAST POLICY. Legally and morally utility service is a function of government. We can serve ourselves or by franchises authorize private parties to serve us. In the past we have largely depended upon private operation. However, there have always been a considerable number of municipal power plants. There are close to 1,800 today in the Nation. Since 1907, we have attempted to regulate rates, capitalization and service of private companies through State commissions. This method failed to protect either investors or consumers. Public opinion then turned toward public operation. In 1920 we established the Federal Power Commission to lease public power sites and stopped giving them away.

NEW POLICY. Since 1933, the national policy has been to build multi-purpose dams and the incidental power therefrom is being sold to municipalities which do their own distributing.

THINGS DONE. This Administration, backed by progressive Democrats and Republicans alike and fought by reactionaries of all

parties, has accomplished more for consumers and investors than all preceding administrations put together. The major things done are:

By way of more effective regulation we have the passage of the Holding Company Act and creation of the Securities and Exchange Commission to protect investors. We have greatly extended and strengthened the Federal Power Act of 1920. Fundamentally both these acts extended Federal jurisdiction over a "no man's land" in which the utilities had escaped any regulation whatever.

In the field of public ownership we have not only certain yardstick plants, built and building, with the St. Lawrence yet to come, but the PWA has extended low interest loans to municipalities and smashed the bankers' cabal against municipal ownership.

The REA as an important part of the general program is making electric service possible to the farmers of the Nation at rates they can afford.

In the field of information, we have had the Federal Rate Survey, National Power Survey and the reports of the Power and Exchange Commissions on utility finances. These continuing activities are supplying knowledge heretofore unattainable on which to base sound policy.

WHY DOES REA ASK SO MANY QUESTIONS?

1. Mr. Morris L. Cooke a few years ago was the first to emphasize the fact that there was at that time nothing that could be called distribution engineering.

2. Some time ago Administrator Carmody brought out the same facts.

3. Rural electrification is about 80 percent distribution and 20 percent transmission.

4. When REA started there was no foundation either of fact or theory, to build on, and it had to start from scratch. There was a certain amount of experience accumulated by the private utilities, but some of it was not available to REA, and most of it was not adequate.

5. In spite of all that, REA did a very splendid job, notwithstanding the great amount of work that had to be done in such a short time.

6. Our lines stand up. We had failures, we had headaches, but we had no trouble that could be considered unusual on any electrical job.

7. But we must look into the future and build for the future.

8. Neither REA nor anyone else has as yet sufficient facilities for testing each type of equipment used in rural electrification to establish its degree of reliability. No one has yet established definite criteria by which to decide which is a better product. This relates to such articles as conductors, transformers, lightning arresters and similar devices. Therefore, for the purpose of definitely determining for the future what is best construction and what is best design, we cannot depend on laboratory experiments, tests or specifications.

9. But we have at our disposal the greatest research laboratory in the world in the form of something like five hundred projects with their superintendents, each of whom has to live with the equipment day by day. Every superintendent has problems to solve and he solves them, but he may not know that no one else has ever solved a problem in that manner. Some superintendents may have problems and they may not know that no one else has ever solved those problems before.

10. It is the job of REA to use the cumulative experience of all superintendents for the benefit of everyone, not only in REA but in the whole electrical industry. It is the job of REA to use this experience to lay the foundation for a new rural electrification engineering which even now does not yet exist.

11. Many answers to the questions which you were asked in the past are already being used for the purpose of modifying and changing of designs and construction methods as well as operating methods and if you continue to give us the benefit of all of your experience whenever you are asked to do so, it is hoped that sooner or later a rural electrification engineering will exist for everyone to use, and will have been created by you in cooperation with the REA.

Conference of Project Superintendents.

Identification of REA-CO-OP Properties - Office Arrangements

All REA-CO-OP properties should be made an unmistakable expression to the public of the vigorous and progressive character of the national rural electrification program. This is essential for three main reasons: (1) To build membership morale or "pride of ownership"; (2) To assist in electrical merchandising or "load building"; and (3) To attach to individual co-ops the prestige and publicity values of a Federal program that is nation-wide in scope.

I. Identification

Identification is the first step. All physical properties should be forcefully identified as belonging to an REA-CO-OP.

(a) Lines and Sub-stations.

Standard REA-Co-Op pole identification should be carried on every pole on main-travelled roads and on every 5th pole on side roads; 8 ft. from ground; 30° from line perpendicular to road; alternately facing right and left-hand auto traffic; cut-out aluminum letters or thick aluminum paint, stencilled on with standard stencil; standard design available from Division of Operations Supervision. Details of NYA assistance available from same office.

Standard REA-CO-OP signs (flood-lighted) to be placed where first pole of system is met on main-travelled roads through territory and at sub-stations. Design and prices from Division of Operations Supervision.

(b) Offices and Other Buildings.

Over office door standard REA-CO-OP "door sign"; across front standard "front sign"; in windows standard "window transfer." Door-sign may also be used for garage and warehouse, if separated from office. Standard colors gray, yellow, white. Write Division of Operations Supervision for standardized designs and prices.

(c) Trucks.

Attractive, uniformly identified maintenance trucks offer one of best means for local publicity. Standard color scheme; gray truck body; name of CO-OP in white edged with yellow; REA emblem in yellow edged with white. Standard design for cab doors available from Division of Operations Supervision. REA emblem available as transfer. REA-CO-OP "license rider" to be placed over license plate if state laws permit.

I. Identification

[illegible] is the first step. All physical properties should be forcefully identified as belonging to a [illegible].

(a) Lines and Sub-stations.

Standard RRA-70-up pole identification should be carried on every pole on main-travelled roads and on every 7th pole on side roads; 3 ft. from ground; 20° from line perpendicular to road; alternately facing right and left-hand auto traffic; out-one [illegible] on with standard element; standard design available [illegible] Division of Operations Supervision. Details of [illegible] assistance available from home office.

Standard RRA-00-OP signs (flood-lighted) to be placed where first pole of system is met on main-travelled roads through territory and at sub-stations. Design and prices from Division of Operations Supervision.

(b) [illegible]

Over office door standard RRA-00-OP "door sign"; [illegible] front standard "front sign"; in windows standard [illegible] transfer." Door-sign may also be used for [illegible] and warehouse, if separated from office. [illegible] color gray, yellow, white. Write Division of Operations Supervision for standardized designs and [illegible].

(c) Trucks.

[illegible] for local publicity. Standard color [illegible] body; name of 00-OP in white [illegible] from Division of [illegible] emblem available as [illegible] be placed over license [illegible].

Pick-ups and Private Automobiles of CO-OP Staff.

Standard REA-CO-OP stickers are available for wind-shields and "license riders" to go over license tags. From Division of Operations Supervision.

Cars of Members. REA-CO-OP stickers are available at $3.25 per M for wind-shields of members' cars. From Division of Operations Supervision.

II. Office Arrangements

Identification should be more than skin-deep. It should extend to a uniform efficiency of office arrangements, uniform atmosphere of comfort in reception of members and public, and uniformly effective office lighting and facilities for display and demonstration of electrical equipment.

The eye perceives color, light, and shape before it gets around to recognizing a message in words.

Therefore:

REA is setting up a service for efficient office arrangements of REA-CO-OPS that employs a standard color scheme for exterior and interior trim of offices (gray, yellow, white, blue) and uniform signs, lighting, and demonstration features. This service will act as an exchange for the best practices in display and the arrangement of office space for the most efficient carrying-out of an electrical business. The service will include approved standards for all details of office design from signs to use of storage space.

Before planning a remodeling job or new quarters, get in touch with Division of Operations Supervision on the way this service can be made to work in with your plans for a successful REA-CO-OP.

Identification should be more than skin-deep. It should extend [illegible] lighting and facilities for display and demonstration of electrical equipment.

CONFERENCE OF PROJECT SUPERINTENDENTS

WHY PROGRESS BULLETINS ARE ISSUED

Project business is public business. The superintendent is an employee of the cooperative group; so is the engineer and so is the attorney. Each of them does his specialized work but each of them is working for the group and not exclusively for his own interests. Whenever important correspondence passes between REA and any of the technical employees of the project, that correspondence is of primary concern to the community at large. Too often the superintendent or the attorney keeps the affair to himself -- considers it only his own business. We do not think of it that way. We consider it community business. Moreover, so far as the project engineer is concerned, it often happens that he is not only not in the same town but not even in the same State. Naturally project people rarely learn engineering news from him.

For these reasons REA issues what is called "progress bulletins." These bulletins are to enlighten the entire community, to let it know how the community's enterprise is going. When REA makes an allotment, the allotment is not made to the superintendent or the president of the cooperative or project. The allotment is made to the community as represented by a cooperative group. Therefore, REA sends a letter to the group leader -- and a progress bulletin to as many community leaders as we can learn about. These community leaders include county agents, the vocational teachers, the project directors, the lawyer, the superintendent, the local banker, perhaps the minister or the priest, perhaps the country doctor, all the local newspapers, any newspaper of state circulation, the state extension service director, and the state extension editor. It is our intention to disseminate factual information just as widely as possible to those whose interest is vitally affected by that information.

In an increasing number of cases we have addressed bulletins direct to all the members of a given cooperative or to a representative group selected at random. These bulletins deal with matters on which the entire membership must act positively. In some cases we try to influence the nature of that action, but in most cases the objective of the bulletin is to arouse a sense of responsibility for taking action without regard to whichever of the possible alternatives the individual member chooses to adopt. Such bulletins are intended, for example, to arouse interest in annual meetings and insure a good turnout; to increase both the number and adequacy of wiring installations; to increase per member consumption of electric energy, and so on. In a few cases we definitely recommend a specific course of action -- for example, the retention or discharge of certain specific employees or directors, or the consolidation of two or more projects into a single operating unit. These bulletins, too, are intended to disseminate factual information much more widely than would be the case if we had to depend on the lawyer, the attorney, or the project superintendent. In effect, these bulletins are merely the same as sending carbon copies of letters to each of the interested parties.

THE PURPOSE OF NEWS RELEASES

An REA project is a very important community enterprise. Much of what it does is of genuine public interest. The people in the project area naturally want to know what the project is doing. If the project does not tell them someone else will. That someone else may be a back fence gossip with an inexhaustable vein of misinformation, or a person or groups of persons who wish the project no good. In either case the general public who are not members of the cooperative or project are likely to get a warped idea of the project's operations.

Only the project is equipped to tell its own story. Through news releases to the local press the project can tell its own story. Such news releases not only can give the bare facts but can illuminate them with citations of facts and figures from actual project experience. The fact that one more member may have been hooked up at the end of the line does not mean very much. Yet to that member and his family it must mean a great deal. Electricity may mean that the family can have a radio, running water, and that their income from poultry may be raised by the use of all-night lights. It means new living and a break in a tight circle of drudgery. It is also a nice item for the local sections of the country papers.

And finally, news releases can help establish a dignified place for the rural electric cooperative in the community and help it attain its proper rank as one of the largest businesses in its area.

CONFERENCE OF PROJECT SUPERINTENDENTS

USING THE RADIO TO HELP YOUR PROJECT

Introduction: Radio an effective public and "private" relations tool.

1. Build general public appreciation of project significance and activity.
2. Promote mutual welfare of "project" and members ("private" relations).
3. Radio is no mystery.
4. Radio is not magic.
5. Effective radio is tough to do.

I. SUGGESTIONS ON HOW TO GET TIME:

Specific program idea essential.

The station Manager's interest and job is your clue to approach specific suggestions.

1.

2.

3.

4.

II. SUGGESTIONS ON PROGRAM BUILDING:

1. There are no radio "experts"
2. Avoid bog of techniques (See the forest--there's trouble in the trees.)
3. Program essentials (4...Remember "AIDA")

(1)

(2)

(3)

(4)

4. Specific program Possibilities. A challenge to alert managers NOW

   (1)

   (2)

   (3)

   (4)

   (5)

5. Getting Assistance

6. Building Your audience

7. The limitations of this exciting tool

8. Assistance available from REA

LOCAL NEWSPAPERS TO HELP YOUR PROJECT

Local newspapers can be of tremendous value to a project and then can be an infernal nuisance. Which they will be depends on the project. The project which does not secure the cooperation of its local newspaper is in the same position as the man who doesn't dig up the gold vein he knows is in his back yard.

Newspapers disseminate news. Project activities are news. But they are probably not news three weeks after they have happened. The editor will appreciate being told in advance what is being planned. With enough advance notice he may be able to get up a special edition, or a special page. When he does that you can help by providing special copy. (REA will provide a lot of mats.) A few good snap shots someone has taken on the project with a box camera may help him. The historical story of the inception and growth of the project is often of great interest. Do not simply write up the story. Meet the editor personally, or call him up and tell him that you have a story which you think would be of interest to his readers. You may offer to send him an outline or a complete story, whichever he prefers. Nine times out of ten he will prefer the complete story.

Treat the editor as a human being, maintain friendly personal relations with him, keep him informed, learn and respect his deadlines, and the local newspaper will be of great value to your project.

Remember, there are two things you can't do. You can't insist on the publication of any single item. And you can't hide anything.

There is one thing every editor wants to know about rural electrification; he wants to know how he can make money out of it. You can tell him -- advertising and special editions; the paper that prints rural power news gets the rural power user circulation -- and attracts the rural appliance advertising.

CONFERENCE OF PROJECT SUPERINTENDENTS

Monthly Operating Reports

1. Monthly Operating Reports should be submitted to the Division of Engineering and Operations on or before the tenth of each month following the month reported. These reports consist of the following: Three copies of Form OS-38R; one copy of Comparative Trial Balance; one copy of wholesale power bill for each source of power; three copies of Form OS-39R. In addition to the above projects operating generating plants should submit two copies of Form OS-75.

2. It is vitally important that these reports contain accurate information pertaining to the month's operation. It is through these reports that the Division of Engineering and Operations is able to analyze the operating results of a project and determine where the project is headed.

3. Energy Sales Statistics.

   The information called for in this section is self-explanatory, but attention is invited to the fact that in the column marked "Amount Billed," there should be recorded the amounts which are shown on the Trial Balance as changes during the month in the accounts effected. If there is any discrepancy between the amounts reported on Form OS-38R and that reported on the Trial Balance an explanation of these differences should be attached to the report.

4. Delinquent Accounts.

   If it is the practice of the Project to bill its members as of the thirtieth day of the month with discount expiring on the fifteenth of the following month, all accounts unpaid at the close of business on the fifteenth are considered as delinquent. Accounts remaining unpaid at the end of that month should be reported as delinquent one to thirty days. If these accounts still remain unpaid at the close of the following month, they then fall under the classification of unpaid thirty to sixty days. If at the end of the third month following the billing date they are still unpaid, they should be included in the amounts reported delinquent sixty days and over.

5. Utilization Summary.

   In this space a brief outline of the activities such as meetings, demonstrations, and campaigns designed to increase the use of electricity on the projects.

6. Monthly Payroll.

This schedule is a list of all persons employed in the operation of the project, and should show the name and title of, and "Total Salary" (or wages) paid each employee, as well as the amount which has been charged to each expense account in the General Ledger. If an employee performs more than one class of work, his salary (and mileage allowance, if any) should be prorated on the basis of the time devoted to each task and a proportionate share charged to each account. Work done in connection with construction or merchandising should be represented by proper allocation to the last column, "Other", with appropriate ledger account numbers noted.

7. The total miles energized at the end of the month should be included in the space provided for this information. This mileage should consist of all energized lines to the last pole of the distribution system.

8. Energy Summary.

The information requested in this portion of the report can be obtained from the wholesale power bill which should accompany the report.

The information requested on Form OS-39R is primarily for statistical purposes and the instructions accompanying this form are self-explanatory. This information is used for numerous surveys and studies and should be in as much detail as it is possible to furnish.

9. General

If there have been any unusual changes in the operations of the project since the last report was submitted, a brief explanation should be submitted with the report. If any account reflects changes during the month in excess of the average change, it is possible that this is the result of an audit having been made during the month or some bookkeeping error being adjusted during the month. Any such unusual changes should be supported by a short statement as to what brought about these changes. If such a statement accompanies the report it will save time of the staff in Washington on a project in unnecessary correspondence.

CONFERENCE OF PROJECT SUPERINTENDENTS

Office Furniture and Equipment

1. Desks.

Project offices should be equipped with good serviceable office furniture. The best available desks are steel desks manufactured by the following national suppliers: General Fireproofing Company, The Yaman & Erbe Manufacturing Company and the Shaw Walker Company. Each office should be equipped with at least one 60" executive type desk, all metal with linoleum top and at least one secretarial type, all metal, desk with linoleum top.

The secretarial desk is more suitable for the bookkeeper than the drop center type of desk. It is also advisable to equip the project offices with a 60" metal table.

2. Filing Equipment.

Too much emphasis cannot be placed on suitable filing equipment to provide for the filing of the records and correspondence of the cooperative. Recommended filing equipment is manufactured by the companies mentioned above as well as by the Remington Rand Company. Project offices should have four or five drawer steel file cabinets equipped with locks.

3. Adding Machines.

There are two general types of adding machines. They are referred to commonly as the standard keyboard type and the tenkey type. Either type of machine will serve the needs of the project and it is a matter of personal preference on the part of the operator as to which type should be purchased.

One thing should be borne in mind in purchasing adding machines. The machine should be of sufficient capacity to carry figures to within one cent of a million dollars unless the project's allotments are likely to total more than this figure. This would require at least an eight-bank machine.

The leading manufacturers of adding machines are Burroughs Adding Machine Company, Allen Wales Company, R. C. Allen Calculators, Underwood Elliot Fisher Company, and Remington Rand.

Adding machines can be obtained with a long carriage that will permit preparing the monthly bills on the machine without resorting to any hand posting. The difference in cost for a long carriage machine is approximately $20.00 and this added cost is justified if there is a sufficient number of bills being prepared each month.

4. Other Office Equipment.

In addition to the above equipment, each project office should have a mimeograph machine and an addressograph. The A. B. Dick Company of Chicago is the leading manufacturer of mimeograph machines. Addressing machines are manufactured by the Addressograph Company and the Elliot Addressing Machine Company.

5. Lighting.

Because of the nature of the work done in project offices, it is essential that good indirect lighting be installed. There are several manufacturers of indirect lighting equipment that is suitable for use in the office.

CONFERENCE OF PROJECT SUPERINTENDENTS

PROCEDURE FOR INSTALLATION LOANS

INTRODUCTION

The procedure for the requisitioning of funds for installation loans is now being revised somewhat in accordance with the new procedure for construction loans. At the same time the scope of installation loans is being broadened to include the financing of electrical appliances, lamps, brooders and other items.

The new procedure is fully explained in an instruction booklet form FI-137 which will be sent to each project at the time a new Installation Loan Contract is signed, or when an old Contract is amended to include the new type of installation loans.

BRIEF EXPLANATION OF NEW PROCEDURE

In brief this procedure is as follows:

I. Upon execution of the Installation Loan Contract, the Accounting Section of the Finance Division will send a supply of Installation Notes, Consumers Notes, Conditional Sales Contracts, Members Credit Statements, Members Contracts, Certificates of Satisfaction, Statements of Purposes and Expenditures and Vouchers for Payment Under Installation Loan Contracts.

II. The project must submit with each requisition a voucher for Payment Under Installation Loan Contract, an

Installation Note, in duplicate, for the total amount of the requisition which must also equal the total of all Consumers' Notes, Conditional Sales Contracts and other consumers' obligations submitted with the requisition, and a Statement of Purposes and Expenditures together with Contractor's Receipted Invoices. The first requisition must also be accompanied by an opinion of your counsel, described in detail in the booklet.

III. The documents submitted by the project will be routed directly to the Accounting Section of the Finance Division where the audit of vouchers and supporting notes and other statements will be made.

IV. When approved, vouchers will be scheduled to the Treasury for payment.

DETAILS WHICH DEMAND ATTENTION TO EXPEDITE VOUCHERS

In connection with these loans your attention to a few details will expedite the audit and consequently checks will be received in a much shorter time.

Some of the most common errors are:

1. The corporate name is not written exactly as it is given in the charter and Loan Contract.
2. Endorsement of Consumers' Notes is omitted.
3. Maturity of Consumers' notes are after maturity of Installation Note.
4. Corporate Seal is not affixed to Installation Note.

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2. Endorsement of Consumers' Notes is omitted.
3. Maturity of Consumers' notes are after maturity of Installation Note.
4. Corporate Seal is not affixed to Installation Note.

5. Installation Note is not signed by the same officers signing the Installation Loan Contract.

6. Receipts are not submitted for previous advances.

These points, as well as many more, are thoroughly covered in the new Instruction Booklet, Form FI-137 which, if followed, will greatly expedite this type of advance.

5. Installation Note is not signed by the Base Officers stating the Installation been Complete.

6. Receipts are not submitted for previous advances.

These points, as well as many others, are thoroughly covered in the new Instruction Book, Form 57-157 series, if followed, will greatly expedite this type of vouchers.